

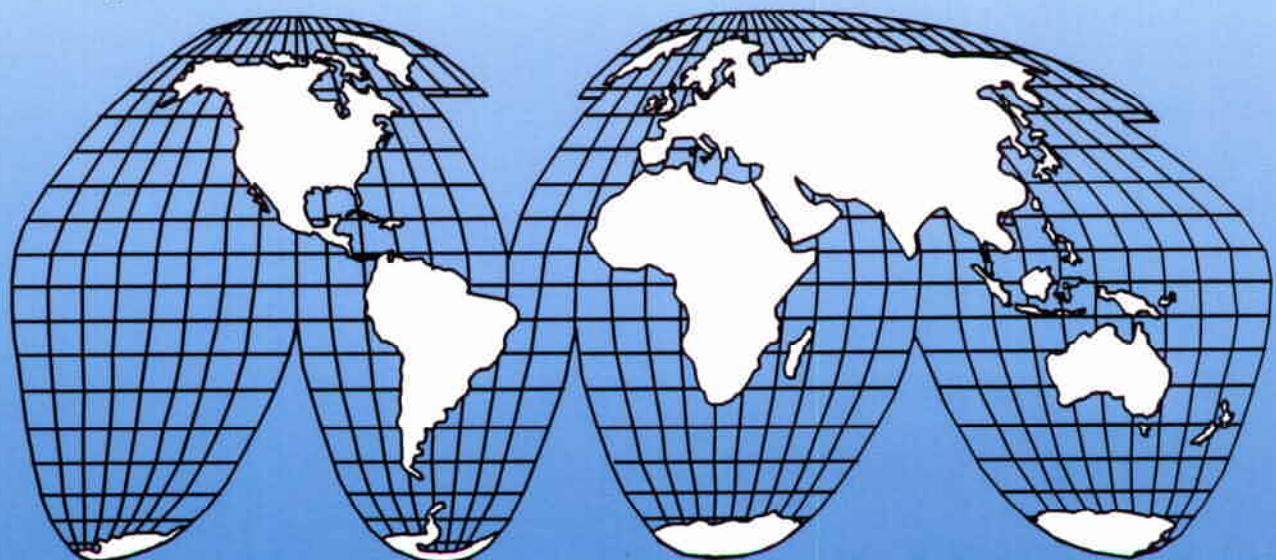
USAID

OFFICE OF INSPECTOR GENERAL

**Agreed Upon Procedures Review of USAID/Madagascar
Resources Managed by Chemonics Int'l Inc. under
Contract No. PCE-I-00-99-00003-00, Rural Road
Rehabilitation Project, for the Period
January 16, 2001 to December 31, 2001**

Audit Report No. 4-687-03-004-N

May 30, 2003



PRETORIA, SOUTH AFRICA

Financial information contained in this report may be privileged. The restriction of 18 USC 1905 should be considered before any information is released to the public.



May 30, 2003

MEMORANDUM FOR ACTING MISSION DIRECTOR, USAID/Madagascar,
Stephen M. Haykin

FROM: Regional Inspector General/Pretoria, Jay Rollins

A handwritten signature in black ink, appearing to read "J. Rollins".

SUBJECT: Agreed Upon Procedures Review of USAID/Madagascar Resources Managed by Chemonics Int'l Inc. under Contract No. PCE-I-00-99-00003-00, Rural Road Rehabilitation Project, for the Period January 16, 2001 to December 31, 2001 (Report No. 4-687-03-004-N)

This memorandum transmits the subject agreed upon procedures review report performed by Agency-contracted auditor, Cabinet Mamisoa Ratsimanetrimanana. The review covered \$1,290,625 in USAID funds.

The review was limited to information and explanations obtained from records and management at the regional office of the project. Otherwise, the review was performed in accordance with U.S. Government Auditing Standards.

During the first months of 2000, USAID/Madagascar approved the project and its overall objective to rehabilitate economic and agricultural infrastructure in Madagascar. The specific services required of Chemonics Int'l were:

- Repair 93 km of secondary farm to market road and create 20 Road User Associations;
- Repair warehouse roofs of the Manakara Port and stabilize the wharf; and
- Rehabilitate 140 km of tertiary farm to market roads and create 30 Road User Associations

USAID/Madagascar engaged Cabinet Mamisoa Ratsimanetrimanana to conduct a review of USAID/Madagascar's resources managed by Chemonics Int'l Inc. under contract Number PCE-I-00-99-00003-00 for the Period January 16, 2001 to December 31, 2001. The review focused primarily on USAID financed local costs for activities performed by the contractor in Madagascar. It did not involve an audit of indirect costs nor expenses incurred outside Madagascar. Cabinet Mamisoa Ratsimanetrimanana was required to evaluate the internal control systems and to report on the contractor's compliance with the agreement terms.

The audit report disclosed the following findings:

- In the course of their internal controls and compliance reviews, the auditors reported \$8,057 in questioned costs (\$1,942 in ineligible costs and \$6,115 in unsupported costs) because the amounts were not according to stated policies, were for taxes, or were not properly supported;
- No material internal control weaknesses or instances of material non-compliance were reported; and
- The auditors rendered an unqualified opinion on the contractor's Fund Accountability Statement.

Therefore, we are making the following recommendation:

Recommendation No. 1: We recommend that USAID/Madagascar determine the allowability of questioned costs totaling \$8,057 (\$1,942 in ineligible costs and \$6,115 in unsupported costs) detailed on pages 13-20 of the Cabinet Mamisoa Ratsimanetrimanana report, and recover from Chemonics Int'l Inc. any amounts determined to be unallowable.

Please respond within 30 days describing the actions taken or planned by USAID/Madagascar to address these recommendations.

Attachments: a/s

CC: USAID/RCSA, Regional Contracting Officer, Karin Kolstrom
USAID/Madagascar, Controller, Claire Johnson



Cabinet Mamisoa RATSIMANETRIMANANA

Audit – expertise comptable – conseil en gestion – expertise juridique et fiscale – commissariat aux comptes

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) MADAGASCAR

REPORT

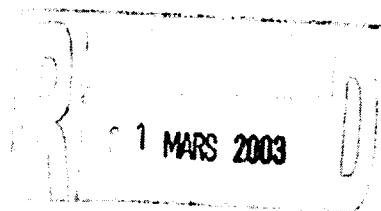
Initial Financial Audit of the Raise 808

Rural Road Rehabilitation Project -

Local cost under Chemonics Int'l Inc. (ReCAP Project)

Contract Number PCE-I-00-99-00003-00 TO#808

MARCH 2003



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Cabinet Mamisoa RATSIMANETRIMANANA

Audit - expertise comptable - conseil en gestion - expertise juridique et fiscale - commissariat aux comptes

March 21, 2003

USAID Mission Controller
14 rue Rainitovo Antsahavola
Antananarivo, Madagascar

Ref: 006 /CMR/2003

Dear Sir,

**INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-
LOCAL COST UNDER CHEMONICS INT'L - FOR THE PERIOD OF JANUARY 16, 2001 TO
DECEMBER 31, 2001**

We have completed our audit in respect of the above and are pleased to submit our report which incorporates the Fund Accountability Statements, independent reports on the financial statements, internal control structure, compliance with laws, contract terms and regulations and the management comments about the reports.

We avail of this opportunity to thank you and your staff for your co-operation and hospitality.

Yours truly,

Mamisoa RATSIMANETRIMANANA
Expert Comptable

CC : ReCAP Project

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
MADAGASCAR
REPORT

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L.

Contents

1.	TRANSMITTAL MEMO	5
1.1	PROJECT DESCRIPTION	5
1.2	AUDIT OBJECTIVES	6
1.3	LIMITATION OF SCOPE	7
1.4	SUMMARY OF AUDIT FINDINGS	7
2.	FINANCIAL REPORT	9
2.1	ACCOUNTING POLICIES	12
2.2	ACCOUNTING REPORTS AND DOCUMENTS	12
2.3	REIMBURSEMENT MADE BY USAID (FOR LOCAL COSTS):	13
2.4	WORK DAYS ORDERED:	13
2.5	LOCAL SUPPORT SALARIES:	14
2.6	ALLOWANCES	14
2.7	OTHER DIRECT COSTS	16
2.8	EQUIPMENTS & VEHICLES	17
2.9	SUBCONTRACTS & CONSULTANTS	19
2.10	GENERAL & ADMINISTRATIVE	19
2.11	PENDING REIMBURSEMENT	20
3.	REPORT ON INTERNAL CONTROL	21
4.	REPORT ON COMPLIANCE	24
5.	MANAGEMENT COMMENTS	26
5.1	WORK DAYS ORDERED	26
5.2	LOCAL SUPPORT SALARIES	26
5.3	ALLOWANCES	26
5.4	OTHER DIRECT COSTS	27
5.5	EQUIPMENTS AND VEHICLES	27
6.	APPENDIX	28

Cabinet RATSIMANETRIMANANA

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMAONICS INT'L.

Section I

TRANSMITTAL MEMO

Cabinet RATSIMANETRIMANANA

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L.

1.1 PROJECT DESCRIPTION

The overall objective of the Rural Road Rehabilitation Project is to rehabilitate the economic and agricultural infrastructure (farm-to-market roads, port).

The U. S. Agency for International Development (USAID) in Madagascar approved the Project and provided USD 5,349,800 in contract funds to Chemonics Int'l, the contractor, in order to repair, stabilise, damage caused by cyclones that struck Madagascar during the first months of 2000. The services required by Chemonics int'l are:

- Repair 93 km of secondary farm to market road and create 20 Road User Associations;
- Repair warehouse roofs of the Manakara Port and stabilise the wharf;
- Rehabilitate 140 km of tertiary farm to market roads and create 30 Road User Associations.

In procuring the above services, Chemonics Int'l should ensure that:

- Farmers living in the forest corridor area must be provided with consistent cash crop market outlets to discourage the use of slash and burn agriculture to prevent forest degradation;
- Community- based maintenance systems are established which will ensure long term beneficial impact.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR REPORT

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

1.2 AUDIT OBJECTIVES

Further to the letter of invitation from the USAID dated December 20, 2001 and reference RFP No. 687-02-P-003 and Cabinet Mamisoa RATSIMANETRIMANANA proposal dated January 17, 2002, Cabinet Mamisoa RATSIMANETRIMANANA has been selected to conduct the financial audit of the Rural Road Rehabilitation Project for the period from January 16, 2001 to December 31, 2002.

The financial audit is conducted for an initial period from January 16, 2001 to December 31, 2001 and subsequently two semi-annual concurrent audits through the end of the contract. The initial financial and concurrent financial audits focused primarily on USAID financed local costs for activities performed by the contractor or its sub-contractors in Madagascar. It did not involve an audit of indirect costs nor expenses occurred overseas (outside of Madagascar), these are covered by the DCAA audit.

The financial audit has been conducted in accordance with Government Auditing Standards of the funds provided by USAID.

The specific objectives of the audit were to:

- Express an opinion on whether the fund accountability statement for the USAID-contract presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the contracts and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate and obtain a sufficient understanding of the Contractor's internal control structure related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material internal control structure weaknesses.
- Perform tests to determine whether the contractor complied, in all material respects, with contract terms and applicable laws and regulations related to the USAID-funded contract. All material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred should be identified.
- Determine if the contractor has taken adequate corrective action if any on the financial audit report recommendations.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONIKS INT'L

1.3 LIMITATION OF SCOPE

Our audit is based on all information and explanations obtained from records and management at the regional office of the project. We would like to state that no physical verification has been possible, except for equipment and vehicles purchased, due to distance and logistics availability and the works were just started. However we would perform physical verification during the second phase of the audit.

1.4 SUMMARY OF AUDIT FINDINGS

We summarise hereunder our findings and observations

1. Fund accountability Statement

For the period of January 16, 2001 to December 31, 2001	ACTUAL	Questionned costs
	USD	USD
Total Expenditure	1,290,625.07	8,056.73
Reimbursement by USAID	(460,836.30)	8,056.73
Reimbursement Outstanding at December 31, 2001	829,788.77	

2. Internal Control issues

Internal control issues which give rise to questioned costs and affect the Fund Accountability Statement are summarized as follows:

- Departure from procurement procedures including : absence of invoices, absence of quotations
- Departure from "règlement intérieur" and human resource procedures : absence of "ordre de mission", bonuses paid for some staff in employment for less than a year.
- No accountability in the local general ledger of common costs between projects

3. Compliance with contract terms, laws and regulations

Departure from regulations applicable to the project due to payment of value added tax on certain expenditure.

4. Management comments

Overall, we are pleased to note that there are no findings of material errors and no questionable costs except for items shown in the previous paragraphs.

Cabinet RATSIMANETRIMANANA

Section II

FINANCIAL REPORT



Cabinet Mamisoa RATSIMANETRIMANANA

Audit - expertise comptable - conseil en gestion - expertise juridique et fiscale - commissariat aux comptes

ReCAP PROJECT - Contract Number PCE-I-00-99-00003-00 TO#808

Auditors' report to the USAID Mission Controller

Independent Opinion on the Financial Audit of Local Costs under Chemonics Int'l Inc, Rural Road Rehabilitation Project, ReCAP Project - Contract Number PCE-I-00-99-00003-00 To#808 for the Period January 16, 2001 to December 31, 2001

We have audited the FUND ACCOUNTABILITY STATEMENTS of the above project set out on page 11 which have been prepared on basis of accounting policies set out on page 12.

Respective responsibilities of the contractor and auditors:

The contractor is responsible for maintaining proper accounting records and preparing FUND ACCOUNTABILITY STATEMENT for the project, which give a true and fair view and which are properly prepared in accordance with applicable Accounting Standards and the USAID rules and procedures. It is our responsibility to form an independent opinion, based on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Our audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the fund statements. It also includes an assessment of the significant estimates and judgements made by the contractor in the preparation of the fund statements, and of whether the accounting policies are appropriate to the project's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the fund statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the fund statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or any interests in, the project other than our capacity as auditors.

Opinion

In our opinion, the fund statements set out on page 11 presents fairly, in all material respects, revenues received, local costs incurred for the period of January 16, 2001 to December 31, 2001 by Chemonics Int'l, under the contract number PCE-I-00-99-00003-00 to #808, in conformity with the terms of contracts and generally accepted accounting principles.

The present report is intended for the information of the contractor and the USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Date: July 18 2002

Maryisoa RATSIMANETRIMANANA
Expert Comptable

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R.C.S : 1999A00400 - N.I.F : 260092.9 - STAT. : 589.416

FUND ACCOUNTABILITY STATEMENTS

ReCAP PROJECT

Contract Number PCE-I-00-99-00003-00 TO#808

For the Period of January 16, 2001 to December 31, 2001

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
Fund Accountability Statements
For the Period January 16, 2001 to December 31, 2001

Chemonics ReCAP
Raise 808 Rural Road Rehabilitation Project
FUND ACCOUNTABILITY STATEMENT
(For local costs Only)
January 16, 2001 to December 31, 2001

	ACTUAL	Questioned Costs		Reference
		Ineligible	Unsupported	Notes
REVENUE	USD	USD	USD	
1. Reimbursement made by USAID for local costs	460 836,30	1 941,78	6 114,95	note 2.3
COSTS INCURRED				
Work days ordered	144 768,27	1 925,29		note 2.4
Local support salaries	7 890,39		123,07	note 2.5
Direct Fringe	3 165,59			
Travel & transportation	6 646,86			
Allowances	60 017,80		1 064,68	note 2.6
Other direct costs	68 073,49	15,73	64,88	note 2.7
Equipment & Vehicles	105 012,51		4 583,36	note 2.8
Training	548,25			
Subcontracts & consultants	842 228,62			note 2.9
General & Administrative	52 273,29	0,75	278,96	note 2.10
2. Total costs incurred	1 290 625,07	1 941,78	6 114,95	
3. Pending Reimbursement (1-2)	(829 788,77)			note 2.11

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
Notes to the Fund Accountability Statements
For the Period January 16, 2001 to December 31, 2001

2.1 ACCOUNTING POLICIES

- (a) The accounts are prepared in accordance with and comply with the Government Accounting Standards and under the historical cost convention.
- (b) Accrual basis method is used. According to this policy, the Contractor registers all costs at the reception of bills from suppliers with the QuickBooks Pro Software.
- (c) From January 16, 2001 to December 31, 2001, the Rural Road Rehabilitation Project used a monthly standardized rate to convert all local expenses into US dollar. Those are:

Month	Rate (for 1 USD)	
March 2001	6575.45	MGF
April 2001	6770.10	MGF
May 2001	6822.13	MGF
June 2001	6898.98	MGF
July 2001	6786.51	MGF
August 2001	6584.18	MGF
September 2001	6352.19	MGF
October 2001	6352.00	MGF
November 2001	6411.61	MGF
December 2001	6474.08	MGF

- (d) All local expenses incurred are booked up to the last day of the month upon which the fund statements are prepared whereas the claim/invoice by home Office is prepared on expenses incurred from the 26th of the month to the 25th of the following month.

2.2 ACCOUNTING REPORTS AND DOCUMENTS

The local project uses QuickBooks Pro for registering all local operations. At the 25th of each month, the project's regional office prepares and sends a report, including the trial balance and the general ledger of the month stated in local currency, to Chemonics Int'l's Home Office. The Home Office combines these local expenses, which are converted in US dollars, with the costs incurred overseas on the project's account and submits an invoice for reimbursement to USAID.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
Notes to the Fund Accountability Statements
For the Period January 16, 2001 to December 31, 2001

Hereunder is an analysis of the relevant revenues and expenditures captions:

2.3 REIMBURSEMENT MADE BY USAID (FOR LOCAL COSTS):

Posts	Invoiced	Waiting for reimbursement	Reimbursed
Work days ordered	125,263.96	26,184.96	99,079.00
Local support salaries	7,735.87	1,796.54	5,939.33
Direct Fringe	3,165.59	544.29	2,621.30
Travel & transportation	6,612.56	4,279.10	2,333.46
Allowances	59,762.92	24,701.13	35,061.79
Other direct costs	67,550.13	14,701.78	52,848.35
Equipment & Vehicles	105,112.20	5,178.11	99,934.09
Training	548.25	0.00	548.25
Subcontracts & consultants	372,744.65	226,777.07	145,967.58
General & Administratives	29,790.50	13,287.35	16,503.15
TOTAL	778,286.63	317,450.33	460,836.30

2.4 WORK DAYS ORDERED:

Items	Amount (USD)
Salaries LT	10,181.93
Subcontracts, Salaries	71,148.56
Multiplier	63,437.78
Total	144,768.27

Questioned costs

Observation

According to the Manual of Procedures, staff evaluation should be effected after one year of job completion; the evaluation exercise determines the subsequent salary, grade and benefits entitlements of the staff. We observed that certain employees of the project who have been in employment for less than a year and have benefited annual bonus.

Initials	Amount USD
RNR	564,35
ACR	190,48
MIR	326,80
Multiplier	843,67
Total	1 925,29

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
Notes to the Fund Accountability Statements
For the Period January 16, 2001 to December 31, 2001

Implication

This is contrary to the policies and guidelines set in the Manual of Procedure. The amount expensed out in this respect may be ineligible for the project and give rise to questioned costs.

Recommendation

We recommend close compliance to established procedures. It is also important to determine the eligibility of the cost in this respect to the project as it may affect the Funds Accountability Statement.

2.5 LOCAL SUPPORT SALARIES:

Observation

We observed that the non-accountability in the local general ledger of common costs between projects. The costs are actually split by Head Office among the various projects and imputed to the respective projects in US dollars. This amount is not booked in the local general ledger; these costs are added to the local costs claims with the USAID.

Implication

These costs, amounting to USD 123.07, are not recorded within the local general ledger system. However, documentary evidence was supported by the project which has paid the expense.

The rate of conversation used is based on the average rate prevailing at the project where the expenditure is incurred and this rate is different to the other projects exchange rates.

Recommendation

We recommend the use of debit notes, issued by Head Office, to account for the common costs between various projects at the regional office.

2.6 ALLOWANCES

Items	Amount (USD)
Quarters Allowance	2,098.93
Make Ready Costs	2,847.72
House Guard Services	1,440.87
Perdiem	53,630.28
Total	60,017.80

Questioned costs

Items	Amount (USD)
Missing supporting documents	933.86
Absence of ordre de mission	130.82
Total	1,064.68

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
Notes to the Fund Accountability Statements
For the Period January 16, 2001 to December 31, 2001

➤ Missing Supporting Documents

Observation

It is observed that certain expenses incurred do not have supporting procedural documentary evidence. For instance the expenditure is not supported by a purchase requisition, delivery order, and invoice.

Date	Check#	Nature of transaction	Missing documents	Amount USD
03/23/01	6142977	Rj's house search fees	Requisition form, Invoice	933.86

Implication

The lack of compliance to procedures may potentially generate unauthorized and irregular transactions.

Recommendation

We strongly recommend that all expenditures should be supported by relevant documentary formalities before authorization for effecting payments and file accordingly.

➤ Absence of "ordre de mission"

Observation

It is observed that certain payments, including per diem, effected to staff who do not have an « ordre de mission » as required by the Manual of Procedure.

Date	Check#	Memo	Amount USD
10/04/01	8720652	RJ/perdiem FIA-MNK	130.82

Implication

This is contrary to established policies and procedures and there are risks that unwarranted expenses may potentially be assumed by the project and give rise to « questioned costs ».

Recommendation

We recommend that close monitoring of the personnel assigned on the project have their « ordre de mission » duly in compliance with established procedures.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
 INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
 Notes to the Fund Accountability Statements
 For the Period January 16, 2001 to December 31, 2001

2.7 OTHER DIRECT COSTS

Item	Amount (USD)
Office Make Ready	4,980.16
Office Rent or Lease	9,153.88
Office Maintenance	207.21
Expendable supplies	5,496.06
Office Equipment Maintenance	398.03
Office Equipment Rental	27.47
Communication & Delivery	12,078.29
Legal Costs	0.14
Insurance	771.12
Bank Charges	2,937.00
Translation/Edit Costs	767.13
Interpreter Costs	152.08
Office Guard Services	3,147.45
Occasional Labor	2,044.23
Reproduction Costs	1,399.04
Vehicle Lease/Rent	5,904.83
Vehicle Maintenance & Fuel	14,590.08
Meeting Expenses	67.58
Technical Materials	1,836.21
Medical Exams	51.89
Subscriptions/Memberships	31.90
Exchange Rate (Gain or Loss)	2,031.71
Total	68,073.49

Questioned costs

Items	Amount (USD)
Missing supporting documents	64.88
Absence of ordre de mission	15.73
Total	80.61

➤ **Missing supporting documents**

Observation

It is observed that certain expenses incurred do not have supporting procedural documentary evidence. For instance the expenditure is not supported by a purchase requisition, delivery order, and invoice.

Date	Check#	Nature of transaction	Missing documents	Amount USD
06/14/01	8589839	José/back office door/Jun	Invoice	31,68
04/25/01	8589711	SODIM/ pencils for engineers	Invoice	8,01
09/20/01	8640096	Infoworld/CDs rewritable	Invoice	25,19
Total				64.88

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHERMONICS INT'L
Notes to the Fund Accountability Statements
For the Period January 16, 2001 to December 31, 2001

Implication

The lack of compliance to procedures may potentially generate unauthorized and irregular transactions.

Recommendation

We strongly recommend that all expenditures should be supported by relevant documentary formalities before authorization for effecting payments and file accordingly.

➤ **Value added tax paid**

Observation

We noted that on certain expenditures value added tax has been paid, as shown hereunder:

Date	Nature of transaction	Amount USD
04/17/01	FBF/ big size string for pulling car	4,20
04/30/01	Jirama/Office water & electricity	4,16
05/30/01	Jirama/Office water & electricity	7,37
Total		15,73

Implication

This is contrary to regulations whereby ReCAP project is not subject to VAT and has the impact of unnecessarily inflating the expenditures of the project and gives rise to questioned costs.

Recommendation

We recommend addressing this issue and negotiate potential claims, and adjusts the Funds Accountability Statement accordingly if needs be.

2.8 EQUIPMENTS & VEHICLES

Item	Amount (USD)
Household Furnishings	2,114.44
Office Equipment/Furniture	6,729.78
Engineering/Field Equipment	14.79
Computer Equipment	263.40
Project Vehicle	95,480.90
Freight	409.20
Total	105,012.51

Questioned costs

Items	Amount (USD)
Missing supporting documents	1,146.21
Absence of quotation or quotes for different items	3,437.15
Total	4,583.36

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
Notes to the Fund Accountability Statements
For the Period January 16, 2001 to December 31, 2001

Observation

It is observed that certain expenses incurred do not have supporting procedural documentary evidence. For instance the expenditure is not supported by a purchase requisition, delivery order, and invoice.

➤ **Missing supporting documents**

Date	Check N#	Nature of transactions	Missing documents	Amount USD
05/02/01	8589729	Mr meubles/ Conference table	Invoice	164,90
06/19/01	8589850	Mr meubles/ Desks for Eng.	Invoice	181,19
07/13/01	8639919	Mr meubles/ desks for Eng.	Invoice	800,12
Total				1,146.21

Implication

The lack of compliance to procedures may potentially generate unauthorized and irregular transactions.

Recommendation

We strongly recommend that all expenditures should be supported by relevant documentary formalities before authorization for effecting payments and file accordingly.

➤ **Absence of quotations or quotes for different Items**

Observation

The established procedure requires the invitation of at least three quotations from suppliers for purchase over USD 500. However we observed the absence of three quotes for certain purchases; the choice is between two quotes. In a particular case we noted the quotes of three different items considered for the decision of purchasing an article.

Date	Check N#	Nature of transactions	Missing documents	Amount USD
04/23/01		Riantsoa/ceramica office flooring	2 quotes only	499,25
03/10/01	6142954	Office equipment Furniture	Quotes for different Items	2 937,90
Total				3,437.15

Implication

Non-adherence to established procedures in the major activity of procurement may potentially give way to unauthorized and irregular transactions.

Recommendation

We recommend the systematic application of the procedure of invitation to quotes for supplies and services requirements of the project as resources are in place to carry out such activity. In case of unavailability of quotations, we recommend the go ahead authorization be given by the Chief of Party.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
Notes to the Fund Accountability Statements
For the Period January 16, 2001 to December 31, 2001

2.9 SUBCONTRACTS & CONSULTANTS

Item	Amount (USD)
Subcontracts, Fixed Price	827,511.91
Subcontracts, ODCs	14,716.71
Total	842,228.62

(a) subcontracts, Fixed price

Subcontractor	Amount invoiced by subcontractor	Amount of the contract	%	Purpose of the contract	Estimated end date of works
ERMA	317,953.28	880,000.00	36%	RNT 14 rehabilitation PK00 to PK41	23/01/02
EGECORAM	258,217.99	675,000.00	38%	RNT 14 rehabilitation PK46 to PK93	02/01/02
Entreprise AAR	106,585.01	200,000.00	53%	RP1102F rehabilitation PK 26.500 to PK 44.00	19/02/02
Entreprise Tahiana	48,277.87	145,000.00	33%	RP1103F rehabilitation PK00 to PK12.50	05/02/02
Entreprise Tolotsoa	60,779.30	240,000.00	25%	RP1102F rehabilitation PK 00 to PK 26.500	19/02/02
LNTPB	35,698.45	35,698.45	100%	Analysis & Geotechnical control	06/11/01
Total	827,511.91	2,175,698.45			

(b) Subcontracts, Other Direct Costs

It concerns quarterly social pensions and health insurance contribution for the personnel of the ONG Lalana. ONG Lalana, the technical subcontractor of Chemonics Int'l. The purpose of this subcontract is to obtain technical services to repair, stabilize, and provide for continued maintenance of rural roads. A fixed multiplier of 1.69 is applied to this time based labour and materials subcontract whereas 1.78 to the principal contract.

The technical subcontractor's salaries are presented in note 2.4.

2.10 GENERAL & ADMINISTRATIVE

General & administrative expenses represent 4.78%, applicable coefficient as per contract between Chemonics Int'l and USAID of all local expenditures except for work days ordered.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
Notes to the Fund Accountability Statements
For the Period January 16, 2001 to December 31, 2001

2.11 PENDING REIMBURSEMENT

Concerns:

- costs incurred not yet invoiced by Chemonics Int'l owing to the fact that claims are prepared for local cost incurred up to December 25, 2001 : US dollar 512,338.45
- USD 317,450.33 are invoiced but waiting for reimbursement (represents invoiced amount for November and December 2001)

Item	Not Invoiced	Invoiced but Waiting or Reimbursement	Amount (USD)
Work days ordered	19,504.31	26,184.96	45,689.27
Local support salaries	154.52	1,796.54	1,951.06
Direct Fringe	0.00	544.29	544.29
Travel & transportation	34.30	4,279.10	4,313.40
Allowances	254.88	24,701.13	24,956.01
Other direct costs	523.36	14,701.78	15,225.14
Equipment & Vehicles	-99.69	5,178.11	5,078.42
Training	0.00	0.00	0.00
Subcontracts & consultants	469,483.97	226,777.07	696,261.04
General & Administratives	22,482.79	13,287.35	35,770.14
TOTAL	512,338.45	317,450.33	829,788.77

Section III

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE



Cabinet Mamisoa RATSIMANETRIMANANA

Audit - expertise comptable - conseil en gestion - expertise juridique et fiscale - commissariat aux comptes

Independent Auditor's Report on the Internal Control System of the Rural Road Rehabilitation Project, ReCAP Project - Contract Number PCE-I-00-99-00003-00 To#808 for the Period January 16, 2001 to December 31, 2001

We have audited the detailed Financial Report of the contractors for the period January 16, 2001 to December 31, 2001 and have submitted our report thereon on July 18, 2002.

We have carried out an audit according to the Generally Accepted Government Auditing Standard set up by the Comptroller General of the United States. These standards require that we plan and carry out our audit in order to obtain reasonable assurances that the detailed financial report is accurate.

In planning and executing the audit of the contractor, we have taken in consideration the internal control system in order to determine audit procedures leading to the expression of our opinion on the financial report and to an assurance on the internal control system.

The contractor is responsible for establishing and maintaining the internal control structure. Under this responsibility, the estimates and judgements of management are required to evaluate benefits derived and related costs of the policies and procedures of the internal control system. The objectives of an internal control system are to give management a reasonable but not absolute assurance, that assets are safeguarded against losses out of unauthorised usage or arrangement, that the transactions are executed according to management authority and to terms of agreement, and that transactions are properly recorded to enable the preparation of detailed financial report according to generally accepted accounting standards. Due to inherent weaknesses in all internal control system, error or irregularities can however occur and not be detected. On the other hand, the projected evaluation for future period is subjected to the risks that procedures can become inadequate due to changing conditions or to deterioration in the efficiency of concept and application of policies and procedures.

According to the standards of the American Institute of Certified Public Accountants, the conditions to be mentioned in a report concern substantial weaknesses in concept or application in the internal control system which, in our opinion, could affect negatively the foreign beneficiary in recording, accounting, summarising and reporting financial transactions compatible with management detailed financial report.

Weakness is mentionable in a report where one or more elements in the concept or application of the internal control system do not minimise to such an extent risks of errors or irregularities in amounts which could be substantial and which could be undetected in time by employees in their normal job exercise.

Our examination of the internal control system will not necessarily reveal all the elements in the internal control system that should be mentioned in our report and consequently will not also necessarily reveal all conditions to be mentioned in the report as weaknesses, per definition above.

In our opinion, internal control issues which give rise to questioned costs, are summarised as follows:

- Departure from procurement procedures including : absence of invoices, absence of quotations
- Departure from "règlement intérieur" and human resource procedures : absence of "ordre de mission", bonuses paid for some staff in employment for less than a year.
- No accountability in the local general ledger of common costs between projects

Other weaknesses, that did not reveal all conditions, were sent to the contractor in a Management Letter.

The present report is to inform the contractor and the USAID. However, on the approval of the Regional Inspector General Bureau of USAID, this report is of public domain and its distribution is not limited.

Date: July 18, 2002


Mamisoa RATSIMANETRIMANANA

Expert Comptable

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R.C.S : 1999A00400 - N.I.F : 260092.9 - STAT. : 589.416

Section IV

REPORT ON COMPLIANCE

With contract terms and applicable laws and regulations



Cabinet Mamisoa RATSIMANETRIMANANA

Audit - expertise comptable - conseil en gestion - expertise juridique et fiscale - commissariat aux comptes

Auditor's Report on the Compliance with Contract Terms and Applicable Laws and Regulations, to the USAID Mission Comptroller.

We have audited the detailed local financial report submitted by Chemonics Int'l Inc, Rural Road Rehabilitation Project, ReCAP Project - Contract Number PCE-I-00-99-00003-00 To#808 for the period of January 16, 2001 to December 31, 2001 and we have issued our report thereon dated July 18, 2002.

We have performed our audit according to the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States.

These standards require that we plan and carry out audit work with a view to obtain a reasonable assurance that the detailed Financial Report does not contain any inaccuracy.

The compliance to contract terms and applicable laws and regulations of the above project is the responsibility of the contractor. As part of the audit work for a reasonable assurance that the detailed Financial Report does not contain any inaccuracy, we have carried out tests as to the compliance of "Chemonics Int'l Inc, Rural Road Rehabilitation Project, ReCAP Project" with contract terms and applicable laws and regulations. However, our objective is not to give an opinion on the global compliance to such provisions. Consequently, we are not expressing such an opinion. We have also carried out tests on the compliance of the project with certain provisions of the contract terms and to applicable laws and regulations for the application of corresponding contributions.

Cases of non-compliance are due to non-fulfilment of requirements or to violation of contract terms and to laws and regulations which can lead us to conclude that the aggregate of the inaccuracies as a result of the non-fulfilment or violations is important in the relevant Financial Report and in the provisions of corresponding contributions.

We observed that on certain expenditures, value added tax amounting to USD 15.73 have been paid by the project.

However, the results of our tests of compliance indicate that, as regards to tested items, "Chemonics Int'l Inc, Rural Road Rehabilitation Project, ReCAP Project" has observed, in all material respects, the provisions which are referred to in the third paragraph of the present report, and concerning the tested items, there is nothing which could lead us to believe that "Chemonics Int'l Inc, Rural Road Rehabilitation Project, ReCAP Project" did not observe, in all material respects, these provisions.

The present report is expected to inform the "Chemonics Int'l Inc, Rural Road Rehabilitation Project, ReCAP Project", and the United States Agency for International Development (USAID). However, on the approval of the Regional Inspector General Bureau of USAID, this report is of public domain and its distribution is not limited.

Date: July 18, 2002

Mamisoa RATSIMANETRIMANANA

Expert Comptable

Adresse : Escalier D, Immeuble FIARO- Ampeloha- B.P. 1.296 - ANTANANARIVO
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R.C.S : 1999A00400 - N.I.F : 260092.9 - STAT. : 589.416

Section V

MANAGEMENT COMMENTS

5.1 WORK DAYS ORDERED

Chemonics' reply

Regarding the bonus paid to local employees, it has been standard practice for all Chemonics/USAID projects to pay bonuses to all employees in December. In addition, the ReCap project used the same formula that the USAID mission uses for its FSN employees.

5.2 LOCAL SUPPORT SALARIES

Chemonics' reply

We do not see any evidence of non-accountability. Common costs shared by projects, are appropriately denoted in a Memorandum of Understanding between the projects set forth at the beginning of the project. The cost is shown in the local general ledger of the project which pays the expense.

5.3 ALLOWANCES

➤ Missing supporting documents

Chemonics Reply

The suppliers signed copies of the checks for the first two transactions and we have requested that the supplier who received check number 6142977 provide us with an invoice.

➤ Absence of ordre de mission

Chemonics Reply

An "ordre de mission" was not prepared for the trip mentioned above partly due to the fact that COP usually travels without asking for a travel advance. One will be prepared and attached to the documentation.

5.4 OTHER DIRECT COSTS

➤ Missing supporting documents

Chemonics Reply

The suppliers signed copies of the checks for the first transactions and we have requested that the supplier who received check provide us with an invoice.

For the other two transactions, the supplier apparently did not have any more invoices in stock and used the delivery form as the final receipt, crossing out "delivery form" and marking "invoice" on the receipt. We think that this can be accepted under certain circumstances, especially since both forms contain the same information.

➤ Value added tax paid

Chemonics Reply

We have tried many times to negotiate payment of TVA by the Malagasy government, as our contract states, with the utilities. Unfortunately, they consider the bill unpaid and will turn off our phone, electricity or water if the TVA is not paid, and the process takes a long time. We have raised this issue several times with USAID, but have not been able to arrive at a solution. Hence, in order to keep our power on and phones operating so that the project can continue, we are obliged to pay TVA on utility bills. We have asked for USAID's assistance in resolving this issue. A letter of exoneration dated April 13 2001 was sent (see attached) and we subsequently stopped paying the TVA on our Jirama and Telma bills.

5.5 EQUIPMENTS AND VEHICLES

➤ Missing supporting documents

Chemonics Reply

For these transactions, the supplier apparently did not have any more invoices in stock and used the delivery form as the final receipt, crossing out "delivery form" and marking "invoice" on the receipt. We think that this can be accepted under certain circumstances, especially since both firms contain the same information.

➤ Absence of quotations or quotes for different items

Chemonics Reply

For these two purchases, three quotes were acquired before making the purchase and are attached.

APPENDIX I	:	Table of reimbursements
APPENDIX II	:	Monthly details of work days ordered
APPENDIX III	:	Monthly details of allowances
APPENDIX IV	:	Details of other direct costs
APPENDIX V	:	Equipments: <ul style="list-style-type: none">- list of equipments lent by USAID- list of equipments bought by the project
APPENDIX VI	:	Subcontractor's Fund Accountability Statement
APPENDIX VII	:	Management Letter and Replies

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

APPENDIX I : TABLE OF REIMBURSEMENTS

Month	Overall reimbursement	Reimbursement of local costs
January-01	15,939.99	
February-01	98,866.91	
March-01	79,236.82	14,705.33
April-01	185,247.77	130,675.12
May-01	73,130.87	25,719.40
June-01	62,891.45	34,338.89
July-01	42,525.49	25,602.86
August-01	71,781.24	35,082.22
September-01	63,219.43	39,385.29
October-01	177,012.52	155,327.18
November-01		
December-01		
Total	1,251,320.38	460,836.29

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

APPENDIX II : Monthly details of work days ordered

Expenses	March-01	April-01	May-01	June-01	July-01	August-01	September-01	October-01	November-01	December-01	Involved	Pending	Costs Incurred
Salaries LT	586.50	1,120.88	593.58	586.96	720.17	1,079.95	1,119.39	1,119.41	1,109.01	2,146.08	10,181.93		10,181.93
Subcontracts, Salaries		5,754.37	6,340.96	6,736.15	6,908.98	7,505.09		15,489.97	11,455.56		60,191.08	10,957.48	71,148.56
Multiplier	457.47	5,362.70	5,408.94	5,712.03	5,950.74	6,696.33	873.12	12,955.32	9,800.36	1,673.94	54,890.95	8,546.83	63,437.78
	1,043.97	12,237.95	12,343.48	13,035.14	13,579.89	15,281.37	1,992.51	29,564.70	22,364.93	3,820.02	125,263.96	19,504.31	144,768.27

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

APPENDIX III: Monthly details of allowances

Nature of expense	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Involved	Adjustments	Invoiced	Pending	Costs Incurred
Quarters Allowance	933.85		18.42	18.69	153.92		369.50	167.29	136.22	188.41	1,986.30	0.00	1,986.30	112.63	2,098.93
Make Ready Costs		282.12	67.72	127.48	260.59	496.80	1,930.29	23.61		273.17	3,461.78	-614.06	2,847.72		2,847.72
House Guard Services				188.72	185.66	197.75	204.97	198.36	203.07	194.62	1,373.15	67.72	1,440.87		1,440.87
Per diem	192.84	3,220.66	2,135.55	2,314.53	5,778.53	5,202.09	3,711.24	7,226.95	12,456.23	11,249.41	53,488.03	0.00	53,488.03	142.25	53,630.28
	1,125.69	3,502.78	2,221.69	2,649.42	6,378.70	5,896.64	6,216.00	7,616.21	12,795.52	11,905.61	60,309.26	-546.34	59,762.92	254.88	60,017.80

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

APPENDIX IV: Details of other direct costs

Expenses	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Involved	Adjust.	Involved	Pending	Costs Incurred
Office Make Ready	2,238.96	1,451.05	571.96	175.81	241.48	247.48	53.42	318.17	504.84	9,153.88	0.00	4,980.16	4,980.16		4,980.16
Office Rent or Lease	4,243.06	9.66	33.16	50.27	75.18	3,871.23	-58.39	106.70	504.84	9,153.88	0.00	9,153.88	9,153.88		9,153.88
Office Maintenance	0.15	7.24		9.28	137.77	44.96		5.51		204.91	0.00	204.91	204.91	2.30	207.21
Expendable supplies	315.75	675.06	163.32	1,073.96	449.93	613.64	297.50	565.21	231.94	949.12	5,335.43	8.71	5,344.14	151.92	5,496.06
Office Equipment Maintenance			68.01	107.89	-99.06	124.84	20.47	69.08	127.27		398.03	0.00	398.03		398.03
Office Equipment Rental									4.68	2.32	27.47	0.00	27.47		27.47
Communication & Delivery	178.00	1,821.16	558.24	907.94	1,099.94	1,341.19	742.69	2,417.18	1,026.25	1,873.44	11,966.03	0.00	11,966.03	112.26	12,078.29
Legal Costs				0.14							0.14	0.00	0.14		0.14
Insurance			687.48				83.64				771.12	0.00	771.12		771.12
Bank Charges		185.14	893.00	96.27	-202.04	363.65	41.10	470.16	548.00	541.72	2,937.00	0.00	2,937.00		2,937.00
Translation/Edit Costs	25.09	97.49	180.30		154.72	345.53	236.14	276.73	220.64	750.68	2,287.32	-1,002.59	1,284.73	-517.60	767.13
Interpreter Costs	152.08										152.08	0.00	152.08		152.08
Office Guard Services	347.47	309.04	305.60	310.67	320.21	320.21	319.84	319.37	384.42	323.59	2,960.21	0.00	2,960.21	187.24	3,147.45
Occasional Labor	274.15	32.81	55.81	136.31	17.09	7.87		7.87		524.04	1,002.59	0.00	1,526.63	517.60	2,044.23
Reproduction Costs	36.35	419.42	135.53	81.62	323.73	323.73	-4.94	294.39	37.12	63.65	1,386.87	0.00	1,386.87	12.17	1,399.04
Vehicle Lease/Rent	1,256.19	2,717.83	77.69	5.67						637.93	4,695.31	1,209.52	5,904.83		5,904.83
Vehicle Maintenance & Fuel		1,012.91	688.97	586.08	1,181.47	911.55	1,860.49	2,859.03	849.12	4,663.30	14,609.92	-77.31	14,532.61	57.47	14,590.08
Vehicle Spare Parts				557.72		564.00	-1,190.32				-68.60	68.60	0.00		0.00
Meeting Expenses										67.58	67.58	0.00	67.58		67.58
Lab Analysis/Testing				6,696.27		-7,016.43					-320.16	320.16	0.00		0.00
Technical Materials			407.31	389.76	83.77	277.08	99.91	55.80		522.58	1,836.21	0.00	1,836.21		1,836.21
Medical Exams			51.89								51.89	0.00	51.89		51.89
Subscriptions/Memberships		31.90									31.90	0.00	31.90		31.90
Exchange Rate (Gain or Loss)	8,445.63	9,070.48	2,010.32	-20.00	12.75	28.64	2,695.61	7,447.03	3,801.03	10,900.75	66,020.45	1,529.68	67,550.13	523.36	68,073.49
			6,730.50	11,134.00	3,423.03	2,372.39									

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

APPENDIX

APPENDIX V.1 : List of equipments lent by USAID

USED VEHICLE

ID No	DESCRIPTION	Make	Model #	Serial #	Date Acq.	Condition
PE 210	4 X 4 VEHICLE	JEEP	CHEROKEE 4.0 L	1J4FJ28V9RL253455	10/12/01	USED

USED FURNITURE

ID No	DESCRIPTION	Make	Model #	Serial #	Date Acq.	Condition
30	SOFA				03/16/01	USED
182	CORNER TABLE				03/16/01	USED
211	RECLINER				03/16/01	USED
215	DESK				03/16/01	USED
224	QUEEN BED				03/16/01	USED
655	NIGHT STAND				03/16/01	USED
1248	LAMPS				03/16/01	USED
1249	LAMPS				03/16/01	USED
1391	LAMP				03/16/01	USED
1386	LAMP				03/16/01	USED
1492	FLOOR LAMP				03/16/01	USED
1495	COCKTAIL TABLE				03/16/01	USED
1499	BOOK CASE				03/16/01	USED
1501	WING CHAIR				03/16/01	USED
1505	LAMP TABLE				03/16/01	USED
1509	LAMP TABLE				03/16/01	USED
1517	CHAIR, SIDE				03/16/01	USED
1519	CHAIR, SIDE				03/16/01	USED
1521	CHAIR, SIDE				03/16/01	USED
1522	CHAIR, SIDE				03/16/01	USED
1523	ARM CHAIRS				03/16/01	USED
1524	ARM CHAIRS				03/16/01	USED
1536	MATRESS QUEEN				03/16/01	USED
	BOXSPRING QUEEN				03/16/01	USED
	CHAIRS				03/16/01	USED
1548	MATRESS TWIN				03/16/01	USED
1554	LAMPS				03/16/01	USED
1631	SIDE CHAIR				03/16/01	USED
1632	SIDE CHAIR				03/16/01	USED
1633	DESK CHAIR				03/16/01	USED
1635	DINN TABLE				03/16/01	USED
1637	SIDE CHAIR				03/16/01	USED
1639	SIDE CHAIR				03/16/01	USED
1649	LAMP				03/16/01	USED
1655	BOOK CASE				03/16/01	USED
1657	WING CHAIR				03/16/01	USED
1665	CHEST				03/16/01	USED
1669	CHAIRS				03/16/01	USED
1670	BEDFRAME TWIN				03/16/01	USED
1672	SET TWIN BED				03/16/01	USED
1673	SET TWIN BED				03/16/01	USED
1676	MATRESS TWIN				03/16/01	USED
1688	LAMPS				03/16/01	USED

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

APPENDIX

ID No	DESCRIPTION	Make	Model #	Serial #	Date Acq.	Condition
1703	SIDE CHAIR				03/16/01	USED
2208	SIDE CHAIR				03/16/01	USED
2259	BEDFRAME TWIN				03/16/01	USED
2335	BOXSPRING QUEEN				03/16/01	USED
2478	REFRIGERATEUR	ARISTON		410031137	03/28/01	USED
	FLOOR LAMP				03/16/01	USED
	OCCASIONAL CHAIR				03/16/01	USED
2552	OCCASIONAL CHAIR				03/16/01	USED
2567	BOOK CASE				03/16/01	USED
2786	MATELAS TWIN				03/16/01	USED
011000180	MATRESS SUPPORT				03/16/01	USED
01100092	LAMP TABLE				03/16/01	USED
01100093	LAMP TABLE				03/16/01	USED
01100095	NIGHT STAND				03/16/01	USED
2050	HEATER	PHILIPS			08/06/01	USED
2051	HEATER	PHILIPS			08/06/01	USED
2052	HEATER	PHILIPS			08/06/01	USED
2574	HEATER	HELLEN			08/06/01	USED

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

APPENDIX V.2 : list of equipments bought by the project

ReCAP ID No	DESCRIPTION	Make	Model #	Serial #	Check #	Purchase Date	Price		Condition	Location
							BOUGHT BY HO	BOUGHT BY LOCAL PROJECT		
001	COPIER	XEROX	5830	BSEN60950	HO	03/15/01	5,330.00		NEW	OFF-RDC
002	PRINTER	HP	2100TN	USGW118781	HO	03/15/01	1,165.00		NEW	OFF-RDC
003	DESKTOP COMPUTER	IBM	NETVISTA	23FFH16	HO	03/15/01	1,740.00		NEW	OFF-ACR
004	HUB 16 PORT	SMC	5616DS	T104000071	HO	03/15/01	145.00		NEW	OFF-RDC
005	KITCHEN TABLE	EN PIN	0.80 X 1.20		8589721	04/27/01		450,000	NEW	OFF-KITCHEN
006	ONDULEUR	APC	650	NR0012340147	HO	03/15/01	235.00		NEW	OFF-MIR
007	DESKTOP COMPUTER	IBM	NETVISTA	23FFH42	HO	03/15/01	1,740.00		NEW	OFF-MIR
008	UPS	APC	650	NR0012340127	HO	03/15/01	235.00		NEW	OFF-MIR
009	PRINTER	HP	DESKJET 950C	MY05M1C10Q	HO	03/15/01	350.00		NEW	COP RES
010	PHONE	ALTO	ALTO	CMA370999	PETTY CASH	03/12/01		217,000	NEW	OFF-STD
011	FAX	HP	920	MY084F3071	HO	03/15/01	380.00		NEW	OFF-RDC
012	DESKTOP COMPUTER	IBM	NETVISTA	23FFH44	HO	03/15/01	2,120.00		NEW	OFF-RDC
013	MODEM	MULTIMODEM	MTS342BA	6910536	HO	03/15/01	164.00		NEW	OFF-RDC
014	ONDULEUR	APC	650	NR0012340140	HO	03/15/01	235.00		NEW	MANAPATRA
015	LAPTOP COMPUTER	DELL	LATITUDE C600	TW-0791UH-12800-OCE-5441	HO	02/20/01	2,495.00		NEW	A
016	BINDING MACHINE	IBICO	IBIMASTER 300	MFP0363	HO	03/15/01	419.00		NEW	OFF-RDC
017	COMPUTER TABLE		CGD190P		6142954	03/03/01		480,000	NEW	OFF-RDC
018	COMPUTER TABLE		CGD180P		6142954	03/03/01		365,000	NEW	OFF-MIR
019	COMPUTER TABLE		CGD180P		6142954	03/03/01		365,000	NEW	OFF-RDC
020	DESK		OTB500		6142954	03/03/01		1,365,000	NEW	OFF-MIR
021	DESK		OTB500		6142954	03/03/01		1,365,000	NEW	OFF-ICR
022	DESK		OTB500		6142954	03/03/01		1,365,000	NEW	OFF-RDC
023	ARM CHAIR		VDX07 BEIGE		6142954	03/03/01		787,500	NEW	OFF-ICR
024	ARM CHAIR		404A NOIR		6142954	03/03/01		375,000	NEW	OFF-ICR
025	ARM CHAIR		404A NOIR		6142954	03/03/01		375,000	NEW	OFF-ICR
026	ARM CHAIR		404A NOIR		6142954	03/03/01		375,000	NEW	OFF-ICR
027	CHAIR		WD200		6142989	03/26/01		300,000	NEW	OFF-ICR

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

028 ReCAP ID No	CHAIR DESCRIPTION	Make	Model #	Serial #	Check #	03/26/01 Purchase Date	300,000		NEW Condition	OFFICE Location
							BOUGHT BY HO	BOUGHT BY LOCAL PROJECT		
029	CHAIR		WD200		6142989	03/26/01		300,000	NEW	OFFICE
030	CHAIR		WD200		6142989	03/26/01		300,000	NEW	OFFICE
031	GAZ COOKER	MONT BLANC	3 FELUX		PETTY CASH	03/26/01		169,000	NEW	
032	DESKTOP COMPUTER	IBM	NETVISTA	23FFH15	HO	03/15/01	1,740.00		NEW	OFF-RNR
033	ONDULEUR	APC	650	NB0012340326	HO	03/15/01	235.00		NEW	OFF-RNR
034	PRINTER	HP	DESKJET 990C	MY08710MM	HO	03/15/01	350.00		NEW	OFF-VR
035	WORKCENTER COPIER	XEROX	XD103F	2882562533	HO	03/15/01	2,395.00		NEW	OFF-RNR
036	COMPUTER TABLE		CDG180P		6142954	03/03/01		365,000	NEW	OFF-RNR
037	DESK		OTB500		6142954	03/03/01		1,365,000	NEW	OFF-HOR
038	ARM CHAIR		VD007 BEIGE		6142954	03/03/01		787,500	NEW	OFF-HOR
039	CHAIR		WD200		6142989	03/26/01		300,000	NEW	OFFICE
040	CHAIR		WD200		6142989	03/26/01		300,000	NEW	OFFICE
041	DESKTOP COMPUTER	IBM	NETVISTA	23FFH14	HO	03/15/01	1,740.00		NEW	OFF-COP
042	ONDULEUR	APC	650	NB0012340334	HO	03/15/01	235.00		NEW	OFF-COP
043	SCANNER	HP	SCANJET ADF	560AK261JM	HO	03/15/01	794.00		NEW	OFF-COP
044	PRINTER	HP	LJ 4550	JPMBB01937	HO	03/15/01	3,230.00		NEW	OFF-COP
045	ZIP DRIVE	OMEGA	ZIP250	30363600	HO	03/15/01	210.00		NEW	OFF-COP
046	DESK		SCG18M		6142954	03/03/01		1,008,000	NEW	OFF-COP
047	ARM CHAIR		VD2000		6142954	03/03/01		1,425,000	NEW	OFF-COP
048	CHAIR		WD200		6142989	03/03/01		300,000	NEW	OFFICE
049	CHAIR		WD200		6142989	03/03/01		300,000	NEW	OFFICE
050	DESKTOP COMPUTER	IBM	NETVISTA	23FDT59	HO	03/15/01	1,740.00		NEW	OFF-RDC
051	ONDULEUR	APC	650	NB0012340351	HO	03/15/01	235.00		NEW	OFF-ACR
052	DOCKING STATION (CLAV/MOUSE)	IBM	THINKPAD	97-9196	HO	03/15/01			NEW	OFF-VR
053	DESK		OTB500		6142954	03/03/01		1,365,000	NEW	OFFICE
054	DESK		OTB500		6142954	03/03/01		1,365,000	NEW	OFF-ACR
055	ARM CHAIR		VD007 BEIGE		6142954	03/03/01		787,500	NEW	OFF-RNR
056	ARM CHAIR		VD007 BEIGE		6142954	03/03/01		787,500	NEW	OFF-ACR
057	CHAIR		WD200		6142989	03/03/01		300,000	NEW	OFFICE

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

058 ReCAP ID No	CHAIR	DESCRIPTION	Make	WD200 Model #	Serial #	6142989 Check #	03/03/01 Purchase Date	Price		NEW Condition	OFFICE Location
								BOUGHT BY HO	BOUGHT BY LOCAL PROJECT		
059		LAPTOP COMPUTER	DELL	LATITUDE C600	TW-0791UH-12800-0CE- 5441	HO	02/20/01	2,495.00		NEW	OFF-VR
060		LAPTOP COMPUTER	DELL	LATITUDE C600	TW-0791UH-12800-0CE- 5440	HO	02/20/01	2,495.00		NEW	MANAKARA
061		DOCKING STATION (CLAV/MOUSE)	IBM	THINKPAD	97-91195	HO	03/15/01			NEW	OFFICE
062		DOCKING STATION (CLAV/MOUSE)	IBM	THINKPAD	97-91194	HO	03/15/01			NEW	OFFICE
063		BOOKSHELF									
065		PRINTER	HP	DESKJET 350C	SC06T121DT	6142954	03/03/01			NEW	OFF-COP
066		PRINTER	HP	DESKJET 350C	SC06T121Z1	HO	03/15/01	340.00		NEW	
067		PRINTER	HP	DESKJET 350C	SC06T121DS	HO	03/15/01	340.00		NEW	
068		COMPUTER TABLE 52		CDG180P		6143009	04/07/01			NEW	OFF-COP
069		COMPUTER TABLE		CDG190P		6142954	03/03/01			NEW	OFF-COP
070		PRINTER TABLE				6143009	04/07/01			NEW	OFF-RDC
071		PRINTER TABLE				6143009	04/07/01			NEW	OFF-MIR
072		CHAIR		WD200		6143018	04/06/01			NEW	OFFICE
073		CHAIR		WD200		6143018	04/06/01			NEW	OFFICE
074		CONFERENCE TABLE	6 PLACES	SCG-V.1018		6143018	04/06/01			NEW	OFF-RDC
075		CHAIR		WD200		6143018	04/06/01			NEW	OFFICE
076		CHAIR		WD200		6143018	04/06/01			NEW	OFFICE
077		CHAIR		WD200		6143018	04/06/01			NEW	OFFICE
078		CHAIR		WD200		6143009	04/07/01			NEW	OFF-VR
079		COMPUTER TABLE				6143009	04/07/01			NEW	OFF-VR
080		PRINTER TABLE				6143009	04/07/01			NEW	OFF-RNR
081		PRINTER TABLE				6143009	04/07/01			NEW	OFF-RNR
082		HELMET	JET	LEMANS		8589742	04/17/01			NEW	FIELD-CDR
083		HELMET	JET	LEMANS		8589742	04/17/01			NEW	OFFICE
084		HELMET	JET	LEMANS		8589742	04/17/01			NEW	FIELD-MHA
085		HELMET	JET	LEMANS		8589742	04/17/01			NEW	FIELD-RNR

APPENDIX

38

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

ID No	ReCAP	DESCRIPTION	Make	Model #	Serial #	Check #	Purchase Date	BOUGHT BY HO	BOUGHT BY LOCAL PROJECT	Condition	Location
116		MONITOR	KDS	17"	1745BAA26100412	HO	03/15/01			NEW	OFF-RDC
117		MONITOR	KDS	17"	301058499	HO	03/15/01			NEW	OFF-MIR
118		MONITOR	KDS	17"	301058490	HO	03/15/01			NEW	OFF-ACR
119		MONITOR	KDS	17"	1745BAA26100418	HO	03/15/01			NEW	OFF-RNR
120		DESK		OT8500		8589745	05/07/01		1,250,000	NEW	OFF-VR
121		ARM CHAIR		404A		8589745	05/07/01		295,000	NEW	OFF-VR
122		LAPTOP COMPUTER	DELL	LATITUDE C600	TW-0791UH-12800-OCB-5440	HO	02/20/01	2,495.00		NEW	
123		COMPUTER TABLE		CDG190P		6142954	03/03/01			NEW	OFF-ACR
124		GSM PHONE	MOTOROLA	T-2288	449 173 414 005 532	8589749	05/11/01		480,000	NEW	HOR
125		GSM PHONE	MOTOROLA	T-2288	449 173 414 003 867	8589749	05/11/01		457,500	NEW	RJ
126		GSM PHONE	MOTOROLA	T-2288	449 173 414 005 474	8589749	05/11/01		457,500	NEW	VR
127		GSM PHONE	MOTOROLA	T-2288	449 173 414 006 290	8589749	05/11/01		457,500	NEW	JCR
128		NOTICE BOARD		1.20M X 1.0M		8589775	05/11/01		160,000	NEW	OFF-COP
129		FILE CABINET	HON			HO	05/22/01	189.00		NEW	OFF-COP
130		FILE CABINET	HON			HO	05/22/01	189.00		NEW	OFF-VR
131		FILE CABINET	HON			HO	05/22/01	189.00		NEW	OFF-ANNEX
132		FILE CABINET	HON			HO	05/22/01	189.00		NEW	OFF-RDC
133		DESK DRAWER				6142954	03/03/01		595,000	NEW	OFF-COP
134		DESK LAMP		HALOGENE		9589806	06/07/01		300,000	NEW	IFANADIANA
135		DESK LAMP		HALOGENE		9589806	06/07/01		300,000	NEW	OFF-HOR
136		DESK LAMP		HALOGENE		9589806	06/07/01		300,000	NEW	OFF-VR
137		OIL-FILLED RADIATOR	OWKS	200 W		8639923	06/13/01		865,500	NEW	COP RES
138		CAMERA	VIVATAR	T300		8589849	06/14/01		175,000	NEW	OFFICE
139		CAMERA	VIVATAR	T300		8589849	06/14/01		175,000	NEW	MANAPATRAN A
140		CAMERA	VIVATAR	T300		8589849	06/14/01		175,000	NEW	MANAPATRAN A
141		CAMERA	VIVATAR	T300		8589849	06/14/01		175,000	NEW	IFANADIANA
142		CAMERA	VIVATAR	T300		8589849	06/14/01		175,000	NEW	MANAKARA
143		DESK		OT8500		8589850	06/19/01		1,250,000	NEW	OFF-RDC

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

APPENDIX

ID No	DESCRIPTION	Make	Model #	Serial #	Check #	Date	BOUGHT BY HO	BOUGHT BY LOCAL PROJECT	Price	Condition	Location
144	WARDROBE	MELAMINE	2 PORTES		8589793	05/22/01			795,000	NEW	COP RES
145	WARDROBE	PALISSANDRE	3 PORTES		8589669	06/21/01			7,985,400	NEW	COP RES
146	PHONE	TABEMAX	TBM		8589880	06/25/01			250,000	NEW	OFF-RJ
147	PHONE	TABEMAX	TBM		8589880	06/25/01			250,000	NEW	OFF-ACR
148	PHONE	TABEMAX	TBM		8589880	06/25/01			250,000	NEW	OFF-VR
149	PHONE	TABEMAX	TBM		8589880	06/25/01			250,000	NEW	OFF-MIR
ReCAP	DESCRIPTION	Make	Model #	Serial #	Check #	Date	BOUGHT BY HO	BOUGHT BY LOCAL PROJECT	Price	Condition	Location
150	PHONE	TABEMAX	TBM		8589880	06/25/01			250,000	NEW	OFF-JCR
151	PHONE	TABEMAX	TBM		8589880	06/25/01			250,000	NEW	OFF-ANNEX
152	PHONE	TABEMAX	TBM		8589880	06/25/01			250,000	NEW	OFF-RNR
153	PHONE	SILICAN	518M		8589880	06/25/01			1,555,000	NEW	OFF-RDC
154	AUTOCOMMUTATOR	NCT	12461		8589880	06/25/01			6,990,000	NEW	OFF-RDC
155	TRANSFORMER	LARE	1500 W		8589873	06/29/01			527,000	NEW	COP RES
156	TRANSFORMER	GOLDSOURCE	1000 W		8589872	06/29/01			370,800	NEW	COP RES
157	TRANSFORMER	GOLDSOURCE	1000 W		8589872	06/29/01			370,800	NEW	COP RES
158	TRANSFORMER	GOLDSOURCE	1000 W		8589872	06/29/01			370,800	NEW	COP RES
159	GPS	MAGELLAN	MAP 330		HO	03/15/01	250.00			NEW	OFFICE
160	SAFE				HO	03/15/01				NEW	OFFICE
161	CURVIMOTOR	SCALE MASTER	V2.0 DIGITAL	6020V2.0	HO	03/15/01	80.00			NEW	OFF-JCR
162	BED FRAME	IKEA	TWIN		HO	05/22/01	50.00			NEW	COP RES
163	MATRESS	SIMONS	TWIN	MANCHESTER	HO	05/22/01	89.99			NEW	COP RES
164	MATRESS SUPPORT	SIMONS	TWIN	MANCHESTER	HO	05/22/01				NEW	COP RES
165	BABY CRIB	WOODEN			HO	05/22/01	259.99			NEW	COP RES
166	MATRESS	CRIB	SEALY BABY		HO	05/22/01				NEW	COP RES
167	BED FRAME	SHERMAG	QUEEN		HO	05/22/01				NEW	COP RES
168	MATRESS	SIMONS	QUEEN	MANCHESTER	HO	05/22/01				NEW	COP RES
169	MATRESS SUPPORT	SIMONS	QUEEN	TIFFANY LUXURY	HO	05/22/01				NEW	COP RES
170	VACUUM	SIEMENS	SUPERXS DINO 1300 W	FD7911	HO	05/22/01	135.00			NEW	COP RES
171	WATER DISTILLER	WATERWISE	4000	201699	HO	05/22/01	550.00			NEW	COP RES
172	STOVE	GE	JBS08P1C1WW	SZ168818P	HO	05/22/01	490.00			NEW	COP RES
173	REFRIGERATOR	GE	TR6211ADAPWW	DA535387	HO	05/22/01	740.00			NEW	COP RES

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMOMICS INT'L
APPENDIX

ID No	ReCAP	DESCRIPTION	GE	FUG/TC/DRWH	AA163201	HO	Date	Price		Condition	Location
								BOUGHT BY HO	BOUGHT BY LOCAL PROJECT		
174		FREEZER	GE			HO	05/22/01	708.00		NEW	COP RES
175		WASHER	GE			HO	05/22/01	495.00		NEW	COP RES
176		DRYER	GE			HO	05/22/01	440.00		NEW	COP RES
177		GAZ COOKER	MONT BLANC	3 FELUX		PEITY CASH	03/26/01		169,000	NEW	COP RES
178		CD WRITER	HP	9350 I	MY0345FSEL	8639916	07/13/01		1,790,000	NEW	OFF-COP
179		DESK		OTB500		8639919	07/16/01		1,250,000	NEW	OFF-RDC
180		DESK		OTB500		8639919	07/16/01		1,250,000	NEW	OFF-RDC
181		DESK		OTB500		8639919	07/16/01		1,250,000	NEW	OFF-RDC
182		ARM CHAIR		VD007 GRIS		8639919	07/16/01		560,000	NEW	OFF-RDC
183		ARM CHAIR		VD007 GRIS		8639919	07/16/01		560,000	NEW	OFF-RDC
184		ARM CHAIR		VD007 GRIS		8639919	07/16/01		560,000	NEW	OFF-RDC
185		ELECTRIC COFFEE MAKER	MOULINEX	MX CRYSTAL		8639920	07/13/01		275,000	NEW	OFF-KITCHEN
186		DESK LAMP	AUR	DL9815		8639918	07/13/01		275,000	NEW	OFF-RJ
187		DESK LAMP	AUR	DL9815		8639918	07/13/01		275,000	NEW	OFF-JCR
188		DESK LAMP	AUR	DL9815		8639918	07/13/01		275,000	NEW	IFANADIANA
189		4 PC TABLE		PTN		8589798	06/01/01		788,000	NEW	OFFICE
190		TARIFICATION SOFTWARE	SILICAN			8589880	06/25/01		500,000	NEW	OFFICE
191		CHINE TOP	MASTER DESIGN		QA01214J	HO	08/03/01	809.98		NEW	COP RES
192		CHINA BASE	MASTER DESIGN		QA01019J	HO	08/03/01	900.00		NEW	COP RES
193		BAR	MASTER DESIGN		QA01024J	HO	08/03/01	759.99		NEW	COP RES
194		DINING ROOM CHAIR	MASTER DESIGN			HO	08/03/01			NEW	COP RES
195		DINING ROOM CHAIR	MASTER DESIGN			HO	08/03/01			NEW	COP RES
196		DINING ROOM CHAIR	MASTER DESIGN			HO	08/03/01			NEW	COP RES
197		DINING ROOM CHAIR	MASTER DESIGN			HO	08/03/01			NEW	COP RES
198		DINING ROOM CHAIR	MASTER DESIGN			HO	08/03/01			NEW	COP RES
199		DINING ROOM CHAIR	MASTER DESIGN			HO	08/03/01			NEW	COP RES
200		DINING ROOM CHAIR	MASTER DESIGN			HO	08/03/01			NEW	COP RES
201		SIDE TABLE				HO	08/03/01			NEW	COP RES
202		SIDE TABLE				HO	08/03/01			NEW	COP RES
203		COFFEE TABLE				HO	08/03/01	359.99		NEW	COP RES

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

ID No	ReCAP	DESCRIPTION	Make	Model #	Serial #	Check #	Purchase Date	BOUGHT BY HO	BOUGHT BY LOCAL PROJECT	Condition	Location
204		LOVE SEAT	BAUHAUS				08/03/01			NEW	COP RES
205		CHAIR	BAUHAUS				08/03/01			NEW	COP RES
206		OTTOMAN	BAUHAUS				08/03/01	1,838.71		NEW	COP RES
207		SOFA	BAUHAUS				08/03/01			NEW	COP RES
208		DRESSER	MASTER DESIGN		TLA500		08/03/01	809.99		NEW	COP RES
209		WARDROBE					08/03/01	1,692.89		NEW	COP RES
210		WARDROBE					08/03/01	1,692.89		NEW	COP RES
211		LAMP TABLE	MASTER DESIGN		TL1100		08/03/01			NEW	COP RES
212		LAMP TABLE	SHERMAG		11570375504CU07		08/03/01			NEW	COP RES
213		LAMP TABLE	SHERMAG		11570375504CU08		08/03/01			NEW	COP RES
214		DRESSER	SHERMAG		11570000719CU21		08/03/01	809.99		NEW	COP RES
215		MIRROR	MASTER DESIGN		TL1100		08/03/01			NEW	COP RES
216		MIRROR	SHERMAG				08/03/01			NEW	COP RES
217		ELECTRONIC TYPEWRITER	OLIVETTI	LINEA 603	9887063	9639987	08/10/01	1,950,000		NEW	OFFICE
218		MONTAIN BIKE	WARRIOR	SUPER		8676034	09/30/01	695,000		NEW	IFANADIANA
219		MONTAIN BIKE	WARRIOR	SUPER		8676034	09/30/01	695,000		NEW	IFANADIANA
220		MONTAIN BIKE	WARRIOR	SUPER		8676034	09/30/01	695,000		NEW	MANAPATRAN
221		MONTAIN BIKE	WARRIOR	SUPER		8676034	09/30/01	695,000		NEW	MANAPATRAN
222		MONTAIN BIKE	WARRIOR	SUPER		8676034	09/30/01	695,000		NEW	MANAKARA
223		MONTAIN BIKE	WARRIOR	SUPER		8676034	09/30/01	695,000		NEW	MANAKARA
224		BOOKSHELF		SUI530		8640077	06/09/01			NEW	OFFICE
225		DICTAPHONE	PANASONIC	RN-202	GGOHE33218	HO	03/15/01			NEW	IFANADIANA
226		DICTAPHONE	PANASONIC	RN-202	GGOHE30460	HO	03/15/01			NEW	MANAPATRAN
227		DICTAPHONE	PANASONIC	RN-202	GGOHE33219	HO	03/15/01			NEW	OFF-JCR
228		TABLE				PETTY CASH	10/01/01		50,000	NEW	IFANADIANA
229		CHAIR				PETTY CASH	10/01/01		80,000	NEW	IFANADIANA
230		CHAIR				PETTY CASH	10/01/01		80,000	NEW	IFANADIANA
231		DESK				PETTY CASH	11/06/01		115,000	NEW	IFANADIANA

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

232	CHAIR				PEITY CASH	11/06/01		42,500	NEW	IFANADIANA
233	CHAIR				PEITY CASH	11/06/01		42,500	NEW	IFANADIANA
234	SATELLITE PHONE	MOTOROLA	IRIDIUM 9500	30001000362940A26BG	HO	10/25/01			NEW	OFFICE
SUB-TOTAL:								84,326,300		

ReCAP ID No	DESCRIPTION	Make	Model #	Serial #	Check #	Purchase Date	Price		Condition	Location
							BOUGHT BY HO	BOUGHT BY LOCAL PROJECT		

VEHICLES

5222	MOTORCYCLE	YAMAHA	AS 100	922197	8676123	11/02/01		16,500,000	NEW	FIELD-MAR
5223	MOTORCYCLE	YAMAHA	AG 100	92198	8676123	11/02/01		16,500,000	NEW	FIELD-MAR
PE 519	MOTORCYCLE	SUZUKI	TF125	137309	8589701	04/11/01		15,000,000	NEW	FIELD-MAR
PE 524	MOTORCYCLE	SUZUKI	TF125	137329	8589701	04/11/01		15,000,000	NEW	MANAKARA
PE 523	MOTORCYCLE	SUZUKI	TF125	137318	8589701	04/11/01		15,000,000	NEW	FIELD-SR
PE 520	MOTORCYCLE	SUZUKI	TF125	137071	8589701	04/11/01		15,000,000	NEW	FIELD-EMR
PE 517	MOTORCYCLE	SUZUKI	TF125	137294	8589701	04/11/01		15,000,000	NEW	FIELD-RRN
PE 516	MOTORCYCLE	SUZUKI	TF125	137299	8589701	04/11/01		15,000,000	NEW	FIELD-WWR
PE 518	MOTORCYCLE	SUZUKI	TF125	137308	8589701	04/11/01		15,000,000	NEW	FIELD-JRN
PE 521	MOTORCYCLE	SUZUKI	TF125	137310	8589701	04/11/01		15,000,000	NEW	FIELD-HSR
PE 522	MOTORCYCLE	SUZUKI	TF125	137212	8589701	04/11/01		15,000,000	NEW	FIELD-FER
PE 515	MOTORCYCLE	SUZUKI	TF125	137305	8589701	04/11/01		15,000,000	NEW	FIELD-ALR
PE 505	DOUBLE CAB VEHICLE	FORD	RANGER	167119	8589747	03/30/01		150,921,470	NEW	MANAKARA
PE 506	DOUBLE CAB VEHICLE	FORD	RANGER	167121	8589747	03/30/01		150,921,470	NEW	IFANADIANA
PE 507	DOUBLE CAB VEHICLE	FORD	RANGER	167126	8589770	04/19/01		151,408,246	NEW	MANAPATRAN

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
 INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
 APPENDIX

SUB-TOTAL:	0.00	636,251,186
TOTAL	69,023.41	720,577,486



Cabinet Mamisoa RATSIMANETRIMANANA

Audit – expertise comptable – conseil en gestion – expertise juridique et fiscale – commissariat aux comptes

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) MADAGASCAR

MANAGEMENT LETTER

Initial Financial Audit of the Raise 808
Rural Road Rehabilitation Project -
Local cost under Chemonics Int'l Inc. (ReCAP Project)
Contract Number PCE-I-00-99-00003-00 TO#808

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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
MADAGASCAR

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

Contents

INTERNAL CONTROL REVIEW	4
1. PETTY CASH	4
1.1 Payments less than FMG 300,000	4
1.2 Absence of requisition for replenishment	5
1.3 Petty cash expenditure cut off	5
2. EXPENDITURES ANALYSIS	6
2.1 Procurement	6
2.2 Value Added Tax	7
3. MANPOWER REMUNERATION	8
3.1 Absence of « <i>Ordre de Mission</i> »	8
3.2 Expatriate staff expenses	8
3.3 Staff evaluation and remuneration	9
4. EXPENDITURE OF CAPITAL NATURE	9
5. ACCOUNTING ISSUES	10
6. COMMON EXPENDITURES BETWEEN PROJECTS	10
7. LOCAL BUDGETARY CONTROL	11

Cabinet RATSIMANETRIMANANA

INTERNAL CONTROL REVIEW

We have reviewed and evaluated the contractor's internal control structure set up for the ReCAP project and obtained sufficient understanding of the design of relevant control policies and procedures. We have carried out an assessment of the inherent and control risk and identified reportable conditions, including internal control structure weaknesses.

We report hereunder our findings/observations with comments on the implications of non compliances, corresponding recommendations and Chemonics Replies:

1. PETTY CASH

1.1 Payments less than FMG 300,000

Observation

We observed that various expenditures above the threshold of FMG 300,000 are effected through the petty cash account, instances are as follows:

Date	Nature of Transaction	Amount -MGF
10/4/01	Tony Carvalho/ticket/TNR-TMM-T	870,000
15/3/01	Paint for office	1,829,450
15/3/01	Paint for exterior wall	787,500

Implication

This is not in compliance with the « Manual of Procedures », which stipulates that every payment above FMG 300,000 should be effected through the issue of check.

Recommendation

In order to maintain standards and consistency in operations, we recommend the strict compliance with and adherence to established policies and procedures.

Chemonics Reply

The first transaction for 870,000 FMG was made in order to purchase plane tickets for a consultant because Air Madagascar would not accept our purchase orders and there was no signatory available in Antananarivo to sign a check. This ticket had to be purchased by that date because the consultant was leaving as soon as he returned from a previous field trip.

The second and third transactions for the office paint were made from petty cash funds advanced from the Home office for project start-up costs. We used these funds before the bank account was set up.

We will continue to follow policy, making exceptions only in order to remain responsive to urgent situations. Each exceptional instance will be documented with a memo, and a check will be issued the next day to replace the amount. The procedures manual will be updated to reflect this requirement to replenish the account with a check.

1.2 Absence of requisition for replenishment

Observation

We observe instances where the requisition for replenishment of petty cash was not sought; instead the «write check» vouchers together with the petty cash expenditure vouchers were submitted to the Chief of Party for approval.

Implication

This is contrary to procedure established in the « Manual of Procedures ».

Recommendation

In order to maintain standards and consistency in operations, we recommend the strict compliance with and adherence to established policies and procedures.

Chemonics Reply

While we do not prepare an "Arrêté de caisse" form as described in the Procedures Manual, we have always prepared a Petty Cash Replenishment form and detailed report of expenses that is attached to the Petty Cash Replenishment write check request. Copies are attached in the Annex.

1.3 Petty cash expenditure cut off

Observation

We observe that as at the accounting date, December 31, 2001, the last time the petty cash was replenished was October 24, 2001 and the following replenishment was on January 16, 2002. This implies that the petty cash expenditures from October 24, 2001 to December 31, 2001, amounting to equivalent of USD 267.30, were not booked in the accounting system, and hence not reflected in the Funds Accountability Statement. We understand this is however immaterial.

Implication

There are risks that all the transactions pertaining to the accounting period ending December 31, 2001, are not completely recognized for.

Recommendation

As a matter of principle, we recommend the setting up of accounting cut off procedure with a view to reflect fully the transactions pertaining to the respective financial period being prepared.

Chemonics Reply

We do not see any problem in cutting off the petty cash account on a monthly basis and we intend to do so effective this month.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

2. EXPENDITURES ANALYSIS

2.1 Procurement

(a) Missing supporting documents

Observation

It is observed that certain expenses incurred do not have supporting procedural documentary evidence. For instance the expenditure is not supported by a purchase requisition, delivery order, and invoice. We provide hereunder a few case examples:

Date	Check#	Nature of transaction	Missing documents	Amount MGF
03/23/01	6142977	Rj's house search fees	Requisition form, Invoice	6,140,501
06/14/01	8589839	José/back office door/Jun	Invoice	218,560
04/25/01	8589711	SODIM/ pencils for engineers	Invoice	54,250
09/20/01	8640096	Infoworld/CDs rewritable	Invoice	160,000
05/02/01	8589729	Mr meubles/Conference table	Invoice	1,125,000
06/19/01	8589850	Mr meubles/ Desks for Eng.	Invoice	1,250,000
07/13/01	8639919	Mr meubles/ desks for Eng.	Invoice	5,430,000

Implication

The lack of compliance to procedures may potentially run the risks of generating unauthorized and irregular transactions.

Recommendation

We strongly recommend that all expenditures should be supported by relevant documentary formalities before authorization for effecting payments and file accordingly.

Chemonics Reply

The suppliers signed copies of the checks for the first two transactions and we have requested that the supplier who received check number 6142977 provide us with an invoice. For the other five transactions, the supplier apparently did not have any more invoices in stock and used the delivery form as the final receipt, crossing out "delivery form" and marking "invoice" on the receipt. We think that this can be accepted under certain circumstances, especially since both firms contain the same information.

(b) Absence of quotations

Observation

The established procedure requires the invitation of at least three quotations from suppliers for purchase over USD 500. However we observed the absence of three quotes for certain purchases; the choice is between two quotes. In a particular case we noted the quotes of three different items considered for the decision of purchasing an article.

Date	Check#	Nature of transaction	Case	Amount MGF
04/23/01		Riantsoa/ceramica office flooring	2 quotes only	3,380,000
03/10/01	6142954	Office equipment Furniture	Quotes for different Items	19,318,000

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

APPENDIX VI :

ONG Lalana
Subcontractor under Raise 808 Rural Road Rehabilitation Project
FUND ACCOUNTABILITY STATEMENT
January 16, 2001 to December 31, 2001

	BUDGET FOR 2 YEARS	ACTUAL	REMAINING
REVENUE			
1. Reimbursement made by Chemonics		115,863.75	
COSTS INCURRED			
Subs, salaries	164,678.29	71,148.56	93,529.73
Multiplier	113,628.02	49,092.51	64,535.51
Other direct costs	46,090.28	14,716.71	31,373.57
2. Total costs incurred	324,396.59	134,957.78	189,438.81
3. Pending Reimbursement (1-2)	(324,396.59)	(19,094.03)	

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

3. MANPOWER REMUNERATION

3.1 Absence of « Ordre de Mission »

Observation

It is observed that certain payments, including per diem, effected to staff who do not have an « ordre de mission » as required by the Manual of Procedure.

Date	Check#	Memo	Amount MGF
10/04/01	8720652	RJ/perdiem FIA-MNK	831,000

Implication

This is contrary to established policies and procedures and there are risks that unwarranted expenses may potentially be assumed by the project and give rise to « questioned costs ».

Recommendation

We recommend that close monitoring of the personnel assigned on the project have their « ordre de mission » duly in compliance with established procedures.

Chemonics Reply

An "ordre de mission" was not prepared for the trip mentioned above partly due to the fact that COP usually travels without asking for a travel advance. One will be prepared and attached to the documentation.

3.2 Expatriate staff expenses

Observation

It is observed that expatriate staff assigned by Head Office claims personal expenses to the regional office and these are accounted as local expenses. It is understood that this staff is allocated with allowances by Head Office before departure to the country of the Project.

Date	Check#	Memo	Amount MGF
11/26/01		Rova/Criss juliard lodging TNR	1,415,600
04/10/01		Tony Carvalho/ticket/TNR-TMM-T	870,000

Implication

This is contrary to standard procedure and there are risks that these costs are not relevant for the project.

Recommendation

We recommend the establishment of proper guidelines and policies regarding the claims of expenses by expatriates staff in regional office for the project. It is also important to determine the eligibility of the cost to the project as it would affect the Funds Accountability Statement.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

Implication

Non-adherence to established procedures in the major activity of procurement may potentially give way to unauthorized and irregular transactions.

Recommendation

We recommend the systematic application of the procedure of invitation to quotes for supplies and services requirements of the project as resources are in place to carry out such activity. In case of unavailability of quotations, we recommend the go ahead authorization be given by the Chief of Party.

Chemonics Reply

For these two purchases, three quotes were acquired before making the purchase and are attached.

2.2 Value Added Tax

Observation

We noted that on certain expenditures value added tax has been paid, as shown hereunder:

<i>Date</i>	<i>Nature of transaction</i>	<i>Amount VAT MGF</i>
04/17/01	FBF/ big size string for pulling car	28,412
04/30/01	Jirama/Office water & electricity	28,367
05/30/01	Jirama/Office water & electricity	50,889

Implication

This is contrary to regulations whereby ReCAP project is not subject to VAT and has the impact of unnecessarily inflating the expenditures of the project and gives rise to questioned costs.

Recommendation

We recommend addressing this issue and negotiate potential claims, and adjusts the Funds Accountability Statement accordingly if needs be.

Chemonics Reply

We have tried many times to negotiate payment of TVA by the Malagasy government, as our contract states, with the utilities. Unfortunately, they consider the bill unpaid and will turn off our phone, electricity or water if the TVA is not paid, and the process takes a long time. We have raised this issue several times with USAID, but have not been able to arrive at a solution. Hence, in order to keep our power on and phones operating so that the project can continue, we are obliged to pay TVA on utility bills. We have asked for USAID's assistance in resolving this issue. A letter of exoneration dated April 13 2001 was sent (see attached) and we subsequently stopped paying the TVA on our Jirama and Telma bills.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

APPENDIX

Chemonics Reply

The eligibility of the cost can be established by the fact that the consultant was on a short-term assignment to Madagascar. We feel that we can justifiably pay for lodging costs for local or expatriate employees at establishments where we have accounts and can be billed for the expenses. Short-term consultants generally handle their own expenses, but in this case the hotel does not accept credit cards or travelers checks, so the project paid. We could have put the consultant in another hotel, but that would have been more expensive for the project.

3.3 Staff evaluation and remuneration

Observation

According to the Manual of Procedures, staff evaluation should be effected after one year of job completion; the evaluation exercise determines the subsequent salary, grade and benefits entitlements of the staff. We observed that certain employees of the project who have been in employment for less than a year and have benefited from salary increase, bonus and upgrading.

Date	Job completion	Initials	Case
05/23/01	3 months	RNR	Upgraded (F4 to F5)
08/24/01	4 months	MIR	Has benefited annual bonus

Implication

This is contrary to the policies and guidelines set in the Manual of Procedure. The amount expensed out in this respect may be ineligible for the project and give rise to questioned costs.

Recommendation

We recommend close compliance to established procedures. It is also important to determine the eligibility of the cost in this respect to the project as it may affect the Funds Accountability Statement.

Chemonics Reply

In the case of RNR, he was originally hired at the same salary level that he was at during the CAP project and since he was hired before my arrival in country, the decision as to whether he would remain with the project and the amount of his salary increase was left to me. Following a favourable evaluation he was upgraded one step. Note that his next salary increase would then be due one year after this probationary evaluation.

Regarding the bonus paid to local employees, it has been standard practice for all Chemonics/USAID projects to pay bonuses to all employees in December. In addition, the ReCap project used the same formula that the USAID mission uses for its FSN employees.

4. EXPENDITURE OF CAPITAL NATURE

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

APPENDIX

Observation

We observed certain expenditures of capital nature have been expensed out. Instances are as follows:

Date	Check number	Account	Memo	Due account	Amount MGF
05/06/01	8589898	43320	Kitchen cabinets	45100	1,768,514
11/26/01		43320	Kitchen cabinets	45100	1,768,514
12/27/01		43320	Kitchen cabinets	45100	(651,058)

Implication

This would affect the capital budget established between USAID and the Chemonics, the contractor.

Recommendation

It is also important to determine the very nature of these expenditures and allocate to their respect accounts. This will help meaningful comparison between the capital budget per the main contract and the actual expenditure by the contractor.

Chemonics Reply

These expenses for the purchase and installation of kitchen cabinets were undertaken at the COP's residence and were booked under the account "Make-ready costs" as stated in the detailed project budget. These expenses are usually budgeted in order to make improvements in the house. In this case, cabinets were permanently installed on the kitchen wall and consequently should not be booked as equipment.

5. ACCOUNTING ISSUES

Observation

It is observed that certain expenditures are not classified in their correct accounts.

Date	Check number	Account	Memo	Due account	Amount MGF
05/06/01	8589898	43320	Kitchen cabinets	45100	1,768,514
11/26/01		43320	Kitchen cabinets	45100	1,768,514
12/27/01		43320	Kitchen cabinets	45100	(651,058)

Implication

Expenses registered in the wrong account may distort the true assessment of the nature of the respective ledger accounts.

Recommendation

We recommend due care and diligence in recognizing the nature of expenditure and correctly accounting in the appropriate account caption.

6. COMMON EXPENDITURES BETWEEN PROJECTS

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

APPENDIX

Observation

We observed that the non-accountability in the local general ledger of common costs between projects. The costs are actually split by Head Office among the various projects and imputed to the respective projects in US dollars. This amount is not booked in the local general ledger; these costs are added to the local costs claims with the USAID.

Implication

These costs are outside the local general ledger system and are not supported by documentary evidence.

The rate of conversion used is based on the average rate prevailing at the project where the expenditure is incurred and this rate is different to the other projects exchange rates.

Recommendation

We recommend the use of debit notes, issued by Head Office, to account for the common costs between various projects at the regional office.

Chemonics' reply

We do not see any evidence of non-accountability. Common costs shared by projects, are appropriately denoted in a Memorandum of Understanding between the projects set forth at the beginning of the project. The cost is shown in the local general ledger of the project which pays the expense.

7. LOCAL BUDGETARY CONTROL

Observation

We observed that an overall budget is shown in the main contract, summarizing the principle allocation of expenditures but without details for local and overseas costs.

Implications

The project cannot present the local budgetary situation at December 31, 2001. The fund accountability statement for local costs does not include any details of local budget targets for the period of January 16, 2001 to December 31, 2001

Recommendation

We recommend a detailed budgetary system for every nature of expenditure and its corresponding budgeted amount; and this should be extended to both the Head Office and regional office costs (local/overseas/overall). Monthly variance analysis should be undertaken and material variances explained. This would help local management to take corrective and preventive actions at a very early stage and hence monitors and controls local expenditures accordingly. Otherwise, the local fund accountability statement of the project would contain comparison of local costs to budgets forecast.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) -
INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L
APPENDIX

Chemonics' reply

There must be a misunderstanding here. Although the contract with USAID only requires that we do not surpass the totals for Labor, Materials, and the subsequent Ceiling Price, we do maintain detailed budget and projections monitors which are updated and discussed between the Home Office and Field Office on a monthly to bi-monthly basis. We do and will continue to take preventive and corrective action as necessary to ensure wise allocation of resources without under spending or over spending the budget.



Cabinet Mamisoa RATSIMANETRIMANANA

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**UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT (USAID)
MADAGASCAR**

INCEPTION REPORT

Semi-Annual Financial Audit of the Rural
Road Rehabilitation Project -
Local cost under Chemonics Int'l
MARCH 2003

1 MARS 2003

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**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L.

Contents

1. INTRODUCTION	3
1.1 PROJECT DESCRIPTION.....	3
1.2 OBJECTIVES.....	4
1.3 SCOPE OF THE ASSIGNMENT	4
2. APPROACH	5
2.1 OUR AUDIT APPROACH.....	5
2.2 SITUATION ASSESSMENT AND PLANNING	6
2.3 PHASE 1 - EVALUATION OF INTERNAL CONTROL.....	8
2.4 PHASE 2 - AUDIT TESTING.....	9
2.5 PHASE 3 - EVALUATION OF AUDIT RESULTS AND COMMUNICATION OF AUDIT RESULTS.....	10
3. WORK PLAN	12
3.1 PROCUREMENT AND PURCHASING SYSTEM	12
3.2 REQUEST FOR REIMBURSEMENT OF FUNDS FROM USAID	14
3.3 BANK TRANSACTIONS.....	15
3.4 PROJECT EXPENDITURE.....	16
3.5 SALARY SYSTEM	18
3.6 DEBTORS AND RECEIVABLES	19
3.7 CREDITORS AND PAYABLES	20
3.8 EQUIPMENTS	21
4. TIMING AND DELIVERABLES.....	22
5. INPUTS REQUIRED AND RESPONSIBILITY	23

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L.

1. INTRODUCTION

1.1 PROJECT DESCRIPTION

The overall objective of the Rural Road Rehabilitation Project is to rehabilitate the economic and agricultural infrastructure (farm-to-market roads).

The U. S. Agency for International Development (USAID) in Madagascar approved the Project and provided USD 5,349,800 in contract funds to Chemonics Int'l, the contractor, in order to repair, stabilise, damage caused by cyclones that struck Madagascar during the first months of 2000. The services required by Chemonics int'l are:

- Repair 93 km of secondary farm to market road and create 20 Road User Associations;
- Repair warehouse roofs of the Manakara Port and stabilise the wharf;
- Rehabilitate 140 km of tertiary farm to market roads and create 30 Road User Associations.

In procuring the above services, Chemonics Int'l should ensure that:

- Farmers living in the forest corridor area must be provided with consistent cash crop market outlets to discourage the use of slash and burn agriculture to prevent forest degradation;
- Community- based maintenance systems are established which will ensure long term beneficial impact.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

1.2 OBJECTIVES

Further to the letter of invitation from the USAID dated December 20, 2001 and reference RFP No. 687-02-P-003 and DCDM proposal dated January 17, 2002, De Chazal Du Mée (DCDM) has been selected to conduct the financial audit of the Rural Road Rehabilitation Project for the period from January 16, 2001 to December 31, 2002.

A financial audit has been conducted for an initial period from January 16, 2001 to December 31, 2001 and subsequently two semi-annual concurrent audits will be performed through the end of the contract. The initial financial and concurrent financial audits focus primarily on USAID financed local costs for activities performed by the contractor or its sub-contractors in Madagascar. It will not involve an audit of indirect costs nor expenses occurred overseas (outside of Madagascar), these are covered by the DCAA audit.

The financial audit will be conducted in accordance with Government Auditing Standards of the funds provided by USAID.

1.3 SCOPE OF THE ASSIGNMENT

The specific objectives of the audit are to:

- Express an opinion on whether the fund accountability statement for the USAID-contract presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the contracts and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate and obtain a sufficient understanding of the Contractor's internal control structure related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material internal control structure weaknesses.
- Perform tests to determine whether the contractor complied, in all material respects, with contract terms and applicable laws and regulations related to the USAID-funded contract. All material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred should be identified.
- Determine if the contractor has taken adequate corrective action if any on the financial audit report recommendations.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L.

2. APPROACH

2.1 OUR AUDIT APPROACH

Our audit shall be conducted in accordance with International Standards on auditing and Government Auditing Standards, and will include such tests and controls, as we consider necessary.

The Contractor is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Project. It is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

In accordance with normal practice, our audit will be planned primarily to enable us to express our professional opinion on the financial statements submitted to us. It should not be relied on necessarily to disclose defalcations or other regularities, but their disclosure, if they exist, may well result from the audit tests we undertake. We shall plan, perform and evaluate our audit work in order to have a reasonable assurance of detecting situations or transactions in which irregularities or illegal acts have occurred or are likely to have occurred.

Our audit methodology is based on the identification of risks that could have a material misstatement in the financial statements and the related controls that are used to mitigate these risks. Based on the assessments of those risks and controls, we design an audit plan that will provide reasonable assurance of detection of material misstatements and thus reduce the risk of non-detection to a level deemed acceptable for rendering an opinion.

The nature, timing and extent of our audit procedures will vary according to our assessment of the Project's accounting system and internal control. Throughout our assignment, we shall obtain an understanding of the accounting and internal control system in order to

- assess their adequacy as a basis for the preparation of the financial statements of the Project;
- establish whether proper accounting records have been maintained for the preparation of the financial statements;
- ascertain whether the procedures of the financing agreements have been followed;
- assess the risk of material misstatement in the accounts.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

2.2 SITUATION ASSESSMENT AND PLANNING

- On March, 2003 the consultants interviewed and had working session with all the necessary staff of the consultants from Chemonics INT'L to assess the present situation;
- Accounting records up to June 30, 2002 and December 31, 2002 have been updated and thus financial statements are ready for audit.
- During this second preliminary planning and assessment, we have reviewed the following:
 - the over-all organisational structure of the project
 - the regulatory framework in which the project operates
 - the Program Implementation Plan
 - sources and methods of financing
 - the contract between USAID and the contractor
 - the sub-contracts between the contractor and other implementing entities
 - the procedure manual (administrative, financial, accounting and reporting system)
 - program financial and progress reports
 - the annual work programme
 - The sub-contracts between the contractor and other implementing entities
 - The budgets, implementation letters, and written procedures approved by USAID.
 - Federal Acquisition Regulation (FAR), Part 31 – Contract Cost Principles and Procedures.
 - USAID Acquisition Regulation (AIDAR), which supplements the FAR
 - minutes of important meetings
 - Analytical review over financial statement of the project in order to evaluate its major components and identify areas of potential audit risks.
 - Follow up anterior recommendations

MAJOR AREAS OF INTERVENTION

From information gathered, the major areas of intervention identified will be as follows:

- Procurement and purchasing system for goods/commodities and services and its accurate posting into the relevant accounting records for the various categories of expenditure, inter-alia:
 - Procurement of equipment and vehicles;
 - Subcontracts;
 - Travels and transport;
 - Other direct costs;
 - General and administrative expenses.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L.

- ☐ Reimbursement from USAID for expenditure incurred for the Project, particularly assessment that there is a proper system which ensure that request for refunds of expenses are bona-fide;
- ☐ Accuracy of bank transactions recorded in the accounting system, principally accounting of expenditure and its proper analysis amongst categories and for refunds;
- ☐ Analysis and control over expenditure incurred in the Project, e.g. construction of structures, etc in the rehabilitation of the rural road;
- ☐ Salary system (including allowances, fringe benefits and travel by persons employed on the project)
- ☐ Accuracy of debtors
- ☐ Accuracy of creditors

PHASES

Based on our assessment, we have split the assignment into 3 phases:

- ☐ Phase 1 - Evaluation of internal control;
- ☐ Phase 2 - Audit testing
- ☐ Phase 3 - Evaluation of audit results and communication of audit results.

These are more fully described in paragraph 2.3 to 2.5.

WORKPLAN

A detailed work plan for the main accounts captions (principally for phases 1 and 2) has also been set as per Paragraph 3.

2.3 PHASE 1 - EVALUATION OF INTERNAL CONTROL

The next step is to make a critical review and re evaluate the contractor's accounting and internal control structure related to USAID programs in order to:

- to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation
- assess the adequacy and effectiveness of the control procedures as a basis for preparation of the financial statements
- identify the types of potential misstatements that could occur in the financial statements
- consider the factors that affect the risks of misstatement
- design the appropriate audit procedures

As set out in our proposal, our evaluation of the internal control systems will consist of an understanding and documentation of the accounting systems and control environment of the project. This understanding will be obtained through

- discussions with key personnel
- reference to documentation such as procedure manuals, job descriptions and systems descriptions
- inspection of relevant documents and records produced by the systems
- Observation of the project's activities and operations.
- walk-through tests, that is, tracing one or more transactions through the accounting system and observing the application of the relevant aspects of the internal control system to confirm our understanding of the system
- making a preliminary assessment of the system of internal control to determine whether the system contains controls which, if they can be demonstrated to operate effectively, would reduce the likelihood of misstatements in the financial statements

Our assessment of the internal control system will be recorded by means of flowcharts, notes on accounting procedures or internal control questionnaire. Depending upon the degree of our reliance on the internal control system and accounting procedures, we shall

- decide of the nature, timing and level of tests that is required in order to form an opinion on the financial statements;
- assess inherent and control risk
- summarise the risk assessments for each assertion (existence or occurrence, completeness, rights and obligations, valuation, presentation and disclosure)

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

2.4 PHASE 2 - AUDIT TESTING

After assessing the risks of financial misstatements and the related controls that have been implemented in order to mitigate these risks, we shall develop an audit plan to provide reasonable assurance that material misstatements are detected in the financial statements. The nature and extent of our audit tests will depend on our assessment of the audit risks and the controls that have been implemented to manage those risks. There are three broad categories of audit procedures that we shall apply:

- (a) **tests of controls** which consists of testing the internal control procedures to obtain audit evidence about the effective operation of the accounting and internal control systems, that is, that properly designed controls identified in the preliminary assessment exist in fact and have been operated effectively throughout the relevant period under review
- (b) **substantive tests** which consist of direct validation of account balances and other information contained in the Fund Accountability Statement. It comprises of:
 - verifying the details of the account balances with the underlying documents
 - ensuring that the appropriate accounting principles have been observed
 - confirmation of account balances with third parties
 - physical checks on the assets, such as stocks and fixed assets
 - re-calculating of balances
 - predictive tests
 - analytical reviews

The substantive tests will involve the following:

- a detailed examination of the Fund Accountability Statement including the budgeted amounts by category and major items;
- the revenues received from USAID; the costs reported by the contractor as incurred during that period;
- the commodities and technical assistance directly procured by USAID for the contractor's use.

Our audit tests will also cover compliance with contract terms and applicable laws and regulations related to USAID programs and projects.

2.5 PHASE 3 - EVALUATION OF AUDIT RESULTS AND COMMUNICATION OF AUDIT RESULTS
EVALUATE AUDIT FINDINGS

Evaluating audit findings involves the evaluation of the results of the audit procedures performed and determining the appropriate courses of action in response to these findings. Throughout the audit process, we will identify important accounting, reporting and business issues and evaluate their impact on the audit plan and the financial statements. To ensure appropriate evaluation, the engagement partner and manager will be involved closely in all aspects of the audit to ensure that all major issues are appropriately identified. In addition, both the engagement partner and manager will supervise all the field staff and review work as the assignment progresses.

COMMUNICATING AUDIT RESULTS

Communicating audit results involves communication to management and other interested parties through audit reports, meetings and discussions and reports on internal control matters. We believe that communication of audit issues goes beyond rendering our audit on the financial statements. Our strong emphasis on industry competence, risk assessment and control evaluations allow us to make constructive comments and suggestions. The report to management on the internal controls, accounting or other operational matters, requested in the tender document will include our comments on these areas.

REPORTS

At the end of our audit field work, we will hold a meeting with the Contractor and other interested parties in order to

- discuss the results of the audit
- discuss the points that will form the basis of our reports
- clarify issues raised
- communicate any significant matters requiring action by management

We shall thereafter present for each audit the following reports:

i) **A report containing:**

- A background section with a general description of the USAID programs audited, the period covered, the program objectives, and a clear identification of all entities;
- The objectives and scope of the financial audit and a clear explanation of the procedures performed and the scope limitations, if any;
- A brief summary of the audit results on the fund accountability statement, questionable costs, internal control structure, compliance with contract terms and applicable laws and regulations, status of prior audit recommendations, and, if applicable, the contractor's general purpose financial statements on an organization-wide basis and

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L.

- a brief summary of the contractor's management comments regarding its views on the audit and review results and findings
- ii) **An audit report on the fund accountability statement**, identifying any questioned costs not fully supported with adequate records or not eligible under the terms of the contracts. The report shall be in conformity with the standards for reporting in Chapter 5 of the Government Auditing Standards and shall include:
- An audit opinion on whether the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred, and commodities/technical assistance directly procured by USAID for the year that ended in accordance with the terms of the contracts and in conformity with generally accepted accounting principles or other basis of accounting.
 - The fund accountability statement identifying the program revenues, costs incurred, and commodities/technical assistance directly procured by USAID during the audit period, indicating any questioned costs not considered eligible for reimbursement and unsupported, if any, including the cost of any commodities and technical assistance directly procured by USAID that are unaccounted for or not used in accordance with contract terms.
 - Notes to the fund accountability statement, including a summary of the significant accounting policies, explanation of the most important items of the statements, the exchange rates during the audit period and foreign currency restrictions, if any.
- iii) **An audit report on the understanding of the contractor's internal control structure** related to USAID-funded program. This report shall include :
- the scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk, and;
 - the reportable conditions, including the identification of material weaknesses in the contractor's internal control structure. This report shall be made in conformity with SAS No. 60 and the standards for reporting in Chapter 5 of Government Auditing Standards. Non-reportable conditions will be communicated to the contractor in a separate management letter and sent with the audit report.
- iv) **An audit report on the contractor's compliance with contract terms and applicable laws and regulations related to USAID-funded programs.**

Draft reports will be prepared in the first instance, discussed with the Contractor and other interested parties and finalised thereafter before sending them to the donors.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

3. WORK PLAN

3.1 PROCUREMENT AND PURCHASING SYSTEM

CURRENT SITUATION

- An summary of the accounting and internal control system is as follows:
 - Preparation of the requisition form and its approval
 - Selection of the best procurement
 - Establishment of the order form/contract and its approval
 - Sending of the purchase order form/contract
 - Control of quality and quantity when receiving goods/ commodities, services, sundry consumables and approvals on the delivery slip
 - Sending order form and delivery slips to the accountant for filing " waiting for bills"
 - Classifying them in the accounts payables' file when receiving bills and recording them to the suppliers' account with QBPro.
 - Writing cheques and their approvals at the settlement date and stamping bills as "PAID"
 - Sending cheques to suppliers
 - Updating the accounts payable file and the suppliers' account in QBpro.

WORK PLAN

ISSUES	WORK PLAN - APPROACH	PHASE	TIMING
Internal control over procurement and purchases	<ul style="list-style-type: none">□ Review procurement procedures to Record the present system in place for procurement of goods/ commodities, services and sundry consumables;□ Assess whether key controls are in place in respect of invitation to tender and selection of best procurement example whether sound commercial practices including competition were used, reasonable prices were obtained;□ Check whether procurement procedures are in conformity as that prescribed by USAID in respect of approval and threshold limit;□ Determine whether adequate controls were in place over the qualities and quantities received.□ Review the control in place for procurement of goods and service for those who eventually benefits from those goods or services□ Assessing the eligibility of those persons or entities benefiting from the goods or services procured by the Project	Phase 1	Week 1

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

3.8 EQUIPMENTS

CURRENT SITUATION

- There are three types of equipment: those purchased by the local project, others bought by Chemonics International's HO, and those procured by USAID
- Lists of these equipments have been updated at June 30, 2002 and December 31, 2002
- Some of equipments are in located in Antananarivo, but an important part is on site at Fianarantsoa.

WORK PLAN

ISSUES	WORK PLAN - APPROACH	PHASE	TIMING
All equipment are used in the project's operations and they are properly recorded on a consistent basis Also, ensure that all assets (inventories, fixed assets, commodities, etc.) procured with program funds were disposed of in accordance with the terms of the contracts.	<ul style="list-style-type: none">- Obtain the schedule of equipment- Observe all equipments contained in the schedule (Antananarivo and Fianarantsoa)- Obtain equipment general ledger- Compare with the list of equipments bought by local project- Review support of all local purchased equipment- Obtain project equipment requests approved by USAID and compare with the list of equipment procured by USAID	Phase 2	Week 2-3

According our work plan, we have to verify all equipments located in Antananarivo and in Fianarantsoa office.

4. TIMING AND DELIVERABLES

The timing for our field work intervention and deliverables shall as follows:

	Position	Week 1	Week 2	Week 3	Week 4
	Lead partner				
	Project manager				
	Senior Auditor				
	Staff Auditor				
	Part-time				
	Full-Time				
WORK PROGRAM					
Assignment		Week 1	Week 2	Week 3	Week 4
Analytical review					
Review of internal control					
Review procurement procedures					
Evaluation on internal control					
Testing of controls					
Evaluation of audit testing					
Substantive audit testing					
Examination of the Fund Accountability Statement					
Evaluation of audit findings					
Review of audit work					
Preparation of financial statements					
Draft audit reports					
Closing meeting					
Final audit report					

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L.

5. INPUTS REQUIRED AND RESPONSIBILITY

The timeliness of the inputs will be crucial to ensuring that the assignment is undertaken and completed by the set deadlines. The following inputs will be required from USAID/Chemonics Int'l.:

- ☐ The various accounting documents, reconciliations of accounts caption as set in the work plan by the various staffs within the set deadline;
- ☐ Assistance from USAID
- ☐ Assistance from all staff of Chemonics Int'l as and when required.

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

ISSUES	WORK PLAN - APPROACH	PHASE	TIMING
Accuracy of figures in the Accounts Payable Module.	<input type="checkbox"/> Perform a direct circularisation on a sample basis in respect of creditors balance as at June 30, 2002 and December 31, 2002	Phase 2	Week 1
Completeness and accuracy of records	<input type="checkbox"/> Review general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to, and reimbursed by, USAID to the program and general ledgers. <input type="checkbox"/> Check numerical sequence of purchase order, GRN and any source documents to ensure that all purchases have been properly recorded: <input type="checkbox"/> Determine whether any commodities directly procured by USAID are unaccounted for or have not been used for their intended purposes in accordance with the contracts. <input type="checkbox"/> Review commodities (e.g., supplies, materials, vehicles, equipment, food products, etc.) procured by the contractor as well as those directly procured by USAID for the contractor's use. <input type="checkbox"/> Determine whether commodities were accounted for and were used for their intended purposes in accordance with the contract. <input type="checkbox"/> Determine if payments have been made in accordance with contract terms and applicable laws and regulations.	Phase 2	Week 2-3

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

3.2 REQUEST FOR REIMBURSEMENT OF FUNDS FROM USAID

- An overview of the accounting and internal control system is as follows:

The local project:

- receives advances from Chemonics Int'l's Home Office (HO)
- Prepares and sends monthly reports to his HO for project local costs

The HO:

- Prepares request for reimbursement including these local costs and expenses made by the HO for the project's account
- Sends the request to USAID

USAID:

- After checking, makes directly the transfer for the reimbursement to the HO of Chemonics Int'l's bank account in Washington.

WORK PLAN

ISSUES	WORK PLAN - APPROACH	PHASE	TIMING
Internal control over request for reimbursement of funds from the USAID	<p>Ensure that the accounting system and internal control operate to ensure that:</p> <ul style="list-style-type: none"> □ Application is made only for those amount not yet refunded; □ The refund % for each category of expenses is properly adhered to. □ Any control and requirement as set by USAID is properly adhered to. 	Phase 1	Week 1
Identifying local costs reimbursed in the requests	<ul style="list-style-type: none"> □ Reconcile monthly reports established by local project and requests for reimbursement sent to USAID by the Home Office of Chemonics Int'l 	Phase 2	Week 2-3
Accuracy and completeness of accounting records	<ul style="list-style-type: none"> □ Review local costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID, identifying and quantifying any questioned costs. □ Determine whether some costs were imputed by the Chemonics' HO as split charges of many projects but not appearing in the cost ledger kept by the local project. □ Determine whether program income and reimbursements, if any, representing recoveries of direct and indirect costs, were recorded as income or as credits to program cost accounts. □ Review pending reimbursements by USAID when performing final close-out audits. □ Ascertain that the Fund Accountability Statement complies with SAS 62 (AU623). □ Ensure that a register is kept (in the appropriate currencies) for reimbursement made by USAID is analysed by expenditure categories 	Phase 2	Week 2-3

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L.

3.3 BANK TRANSACTIONS

CURRENT SITUATION

- ☐ The bank balances are recorded in banks accounts with QBpro software.
- ☐ The project has the following bank accounts:
 - BNI CLM MGF N° 01 114 705 5 020 0 00
 - BNI CLM USD N° 01 114 705 5 016 0 03
- ☐ All bank reconciliation statements at June 30, 2002 and December 31, 2002 have been completed.

WORK PLAN

ISSUES	WORK PLAN - APPROACH	PHASE	TIMING
Internal control	<ul style="list-style-type: none"><input type="checkbox"/> Determine if payments have been made in accordance with contract terms and applicable laws and regulations.<input type="checkbox"/> Ensure proper codification of payments and their authorisation<input type="checkbox"/> Ensure that each bank transaction is properly supported by documents	Phase 1	Week 1
<ul style="list-style-type: none"><input type="checkbox"/> Accuracy of bank balances<input type="checkbox"/> Completion of bank reconciliation<input type="checkbox"/> Validity of reconciling item in bank reconciliation	<ul style="list-style-type: none"><input type="checkbox"/> Ensure that all bank reconciliations are performed.<input type="checkbox"/> Verify bank reconciliation statements and validate reconciling items.<input type="checkbox"/> Ensure that relevant adjustments/ journal entries are posted in respect of the above reconciling items.<input type="checkbox"/> Conversion of balance in bank account in foreign currency to the rate of exchange prevailing at end of the respective month.<input type="checkbox"/> Circularise bank balances as at June 30, 2002 and December 31, 2002.	Phase 2	Week 2-3
Accuracy of: <ul style="list-style-type: none"><input type="checkbox"/> Petty cash;<input type="checkbox"/> Virement interne	<ul style="list-style-type: none"><input type="checkbox"/> Justification of the balance on these accounts captions by documenting the document justifying the component parts of this balance and providing all supporting documentation	Phase 2	Week 2-3

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

3.4 PROJECT EXPENDITURE

CURRENT SITUATION

Operations are recorded with QBPro software and according to a chart of accounts established by Chemonics Int'l in his "Field accounting Manual release 2.00". Otherwise, the project agreement require some structure of project expenditure at his page 16.

WORK PLAN

ISSUES	WORK PLAN - APPROACH	PHASE	TIMING
Internal controls	<input type="checkbox"/> Ensure that there is proper internal control over expenses in respect of authorisation, budgetary control, follow up and segregation of duties with functions in relation to the expenditure cycle.	Phase 1	Week 1
Classification	<input type="checkbox"/> Completeness of project expenditure coding structure and classification; <input type="checkbox"/> Ensure that classification in GL complies with that per coding structure and that required as per the project agreement <input type="checkbox"/>	Phase 2	Week 2-3
Accuracy and completeness of records	<input type="checkbox"/> Identify the contract terms and pertinent laws and regulations and determine the effect of their non-compliance on the fund accountability statement <input type="checkbox"/> Determine if funds have been expended for purposes not authorized or not in accordance with applicable contract terms. <input type="checkbox"/> Identify any costs not considered appropriate, classifying and explaining why these costs are questionable. <input type="checkbox"/> Determine whether any technical assistance directly procured by USAID is unaccounted for or has not been used for its intended purpose in accordance with the contracts. . <input type="checkbox"/> Determine if the amount of cost sharing or matching funds were calculated and accounted for as required by the contracts or applicable cost principles.	Phase 3	Week 2-3

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

ISSUES	WORK PLAN - APPROACH	PHASE	TIMING
Accuracy and completeness of records (Continued)	<ul style="list-style-type: none">❑ Determine if the cost sharing or matching funds or technical assistance, as applicable, were provided according to the contracts and to the project needs.❑ Determine if those who received services and benefits were eligible to receive them.❑ Determine if the contractor's financial reports (including those on the status of cost sharing contributions) and claims for advances and reimbursements contain information that is supported by the books and records.	Phase 2	Week 2-3
Accuracy and completeness of travel and transportation charges	<ul style="list-style-type: none">❑ Review travel and transportation charges to determine whether they were adequately supported and approved.	Phase 2	Week 2-3

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

3.5 SALARY SYSTEM

CURRENT SITUATION

The project's Field accounting Manual mentions some procedures for salary system such as recruitment, amendment to payroll master file, establishment of labour contract, computations of salary....

At the end of each month, the accountant prepares salaries using spreadsheet on Excel and records them payslip by payslip in QBPro. He writes cheques, according to payslips and transmits them to responsible officer for approvals. Checks are sent to each employee. Finally, the accountant updates the employees' accounts in QBpro.

WORK PLAN

ISSUES	WORK PLAN - APPROACH	PHASE	TIMING
Internal control	Ensure that there is proper internal control over salaries in respect of: <ul style="list-style-type: none"><input type="checkbox"/> Recruitment;<input type="checkbox"/> Amendment to payroll masterfile,<input type="checkbox"/> Establishment of labour contract (in compliance with local regulations and USAID requirements)<input type="checkbox"/> Recording of hours/work performed<input type="checkbox"/> Computation of salaries<input type="checkbox"/> Authorisation and budgetary control<input type="checkbox"/> Payment<input type="checkbox"/> Segregation of duties<input type="checkbox"/> Recording.	Phase 1	
Accuracy and validity of salaries	<ul style="list-style-type: none"><input type="checkbox"/> Review direct salary charges to determine whether salary rates were reasonable for that position, in accordance with those approved by USAID when USAID approval is required, and supported by appropriate payroll records.<input type="checkbox"/> Determine if overtime was charged to the program and whether it was allowable under the terms of the contracts.<input type="checkbox"/> Determine whether allowances and fringe benefits received by employees were in accordance with the contracts and applicable laws and regulations.<input type="checkbox"/> Reconciliation of amount per payroll with that of the general ledger.	Phase 2	Week 2-3

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMAONICS INT'L

3.6 DEBTORS AND RECEIVABLES

CURRENT SITUATION

- ☐ Debtors are composed of advances for mission fees to employees
- ☐ Justification of debtors and receivables at June 30, 2002 and December 31, 2002 has been completed during our preliminary assessment.

WORK PLAN

ACCOUNTS CAPTION	WORK PLAN - APPROACH	PHASE	TIMING
Sundry receivable or advance payment to creditors	<ul style="list-style-type: none">- Obtain analysis of balance per specific individual/entity with reference, date and other supporting document- Reconciliation of subsidiary records of debtors to general ledger- Validation of these amounts and documentation of any unusual item- Circularisation of balance at June 30, 2002 and December 31, 2002 (if necessary)	Phase 2	Week 2-3

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - MADAGASCAR
INCEPTION REPORT**

INITIAL FINANCIAL AUDIT OF THE RURAL ROAD REHABILITATION PROJECT-LOCAL COST UNDER CHEMONICS INT'L

3.7 CREDITORS AND PAYABLES

CURRENT SITUATION

- ❑ Creditors and payables are recorded through suppliers' accounts in the QBPro.
- ❑ Justification of creditors and payables at June 30, 2002 and December 31, 2002 has been completed during our preliminary assessment.

WORK PLAN

ACCOUNTS CAPTION	WORK PLAN - APPROACH	PHASE	TIMING
Amount due to suppliers	<ul style="list-style-type: none"> - Analysis of balance per specific supplier, invoice reference, date, other supporting document - Validation of these amounts and documentation of any unusual item - Reconciliation of subsidiary records of creditors to general ledger - Reconciliation of amount per subsidiary records to amount per suppliers' statement - Circularisation of major suppliers at June 30, 2002 and December 31, 2002 (if necessary) - Cut off audit test to ensure completeness of liabilities. - Scrutinise outstanding purchase order to assess pending commitments 	Phase 2	Week 2-3
Other accruals	<ul style="list-style-type: none"> - Analysis of balance per each accounts caption - Validation of these amounts with supporting documents, returns, etc. - Documentation on reconciling item or any unusual item 	Phase 2	Week 2-3